

BANKING

FEBRUARY 1939

REAL AUDITS	G. WHOLLEY	19
JOHN SHERMAN'S GREAT ERA	ALBERT W. ATWOOD	21
THE CONDITION OF BUSINESS		1
PERSONNEL SCORE KEEPING	J. STANLEY BROWN	24
SOME TAX FACTS	HERBERT M. BRATTER	25
CAUSES OF MUNICIPAL DEFAULTS	E. A. WAYNE	28
A COMMODITY LOAN DEPARTMENT	RUSSELL G. SMITH	29
HOW TO ATTRACT INDUSTRIES	HERBERT S. SWAN	30
SAVINGS BANK LIFE INSURANCE	EDWARD H. COLLINS	31
THE LEGAL ANSWER PAGE		32
THE BIG PURSE	PICTURES	33
THE TREND OF THINGS IN WASHINGTON	PICTURES	37
THRIFT IN ANY LANGUAGE	PICTURES	40
MEETING THE PUBLIC NEEDS IN BANKING	PICTURES	43
NEWS PAPER		49
MID-WINTER READING		52
THE EARNING POWER OF BANKS	GURDEN EDWARDS	54
METHODS AND IDEAS		56
ASK BANKING		82
* BANKING'S DIGEST		89



We sold more machines in December 1938 than in any month in 35 years. There must be a reason, and this reason is important to every adding machine user. Will you look at an Allen Wales?

Standard Models, Duplex Models and Statement Models. Electrically or hand operated—with or without direct subtraction. Many exclusive features.

ALLEN  **WALES** ADDING MACHINE

ALLEN WALES ADDING MACHINE CORP. 515 Madison Avenue • New York City
SALES AND SERVICE IN 300 AMERICAN CITIES AND IN 40 FOREIGN COUNTRIES

The Condition of BUSINESS

DEBT PROSPERITY. Business and Government are getting along better in some ways but are leagues apart on the matter of courting prosperity by putting the country head over heels in debt.

RECOVERY POSTPONED. Government spending, for the purpose of priming the pump, has certainly done more to retard real recovery than hasten it. Deficits and living beyond our national means have kept private capital waiting to see what happens, and waiting anxiously. There is no reason to believe that another attempt to spend ourselves rich can have any better results.

In some respects business is a house divided by conscience and common sense in its thinking on the subject because of a widely accepted and simple theory that 1937's sharp decline resulted from cutting down the flow of priming dollars. Also the grim discovery that Treasury funds are strong wine and habit forming has been embarrassing. Meanwhile, the point that the Government must do something if private capital refuses is as plausible as ever but not even approximately right because as long as the Government insists on doing it private capital is going to be reluctant. Security and profit are investment motives but fear never is.

PRACTICAL, THEY HOPE. The improved relations between Government, business and labor are developing in a way that everybody hopes will be practical. There is an active movement among leading interests to encourage private capital. Action in cooperation with Federal agencies will feature the early months of this year and will furnish excellent ground for confidence.

Meanwhile, as a result of hard knocks in the past few years a great many persons on the business side are still from Missouri when it comes to expecting encouragement and understanding. They will believe it when they see it and will not be surprised if something happens from time to time to spoil the picture of everyone holding hands. Fortunately this attitude is rare because hope springs eternal.

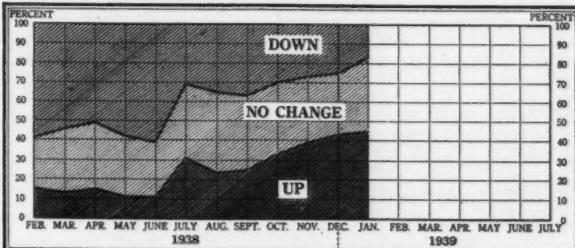
CROSS SECTION POLL. BANKING'S cross section index, obtained from a poll of 2,500 bank directors and business men in all sections of the country and in leading lines of activity, again reflects an improvement.

For the fourth time in a year the canvass shows more businesses reporting a rise than an unfavorable trend. Forty-five per cent of those polled in January said business was getting better, 38 per cent found conditions about static and 17 per cent reported a decline.

CONGRESS. The legislative temper of the new Congress is more helpful than otherwise. Many of the so-called reforms launched in the past few years have been accepted for better or for worse and the current issues have more to do with making the reforms work than adding to their number and confusion.

AGRICULTURE. Among the causes of uncertainty farm aid merits special mention. The prices of agricultural products remain very low, affecting adversely the farmers and all industries depending on their buying power. New legislation on the problem seems certain, with a continuation of bounties in some form.

BANKING OUTLOOK. Immediate prospects in the banking field favor a continuation of conditions which are unique in financial history. The pressure of uninvested funds on the money market has been so great that the Federal Treasury was able for several weeks to accomplish its short term financing without cost.



A full year of BANKING'S cross section poll

The unusual demand for the weekly offerings of Treasury bills arose from special circumstances at the turn of the year but the forces which have pounded interest rates flat are sure to be operating for some time.

CAPITAL MARKET. The demand by banks and other investors for high grade securities is so great that several large corporations which refunded obligations a year or two ago are considering new operations of the same kind in order to take advantage of present thoroughly abnormal conditions in the money market. Meanwhile private sales of bond issues continue in volume and frequency.

There is some prospect that public utilities will soon be in the market for funds in a large way to carry forward certain plans for expansion made in cooperation with the Government. The expansion of airplane construction and the rearmament program generally will require a great deal of new financing.

The general trend of bank loans to business has continued downward. This decline recently has been seasonal in character but the fact remains that business in general is not using bank credit, even in a period of increasing activity. It is also very probable that statistical information on the flotation of new issues is misleading in that it gives a necessarily pessimistic view of the amount of new business financing. Recently there has been an increasing number of new products and improvements in old ones being developed and promoted. The industries concerned have been able in many cases to accomplish expansion by using surplus funds of their own instead of resorting to bank loans or stock flotations.

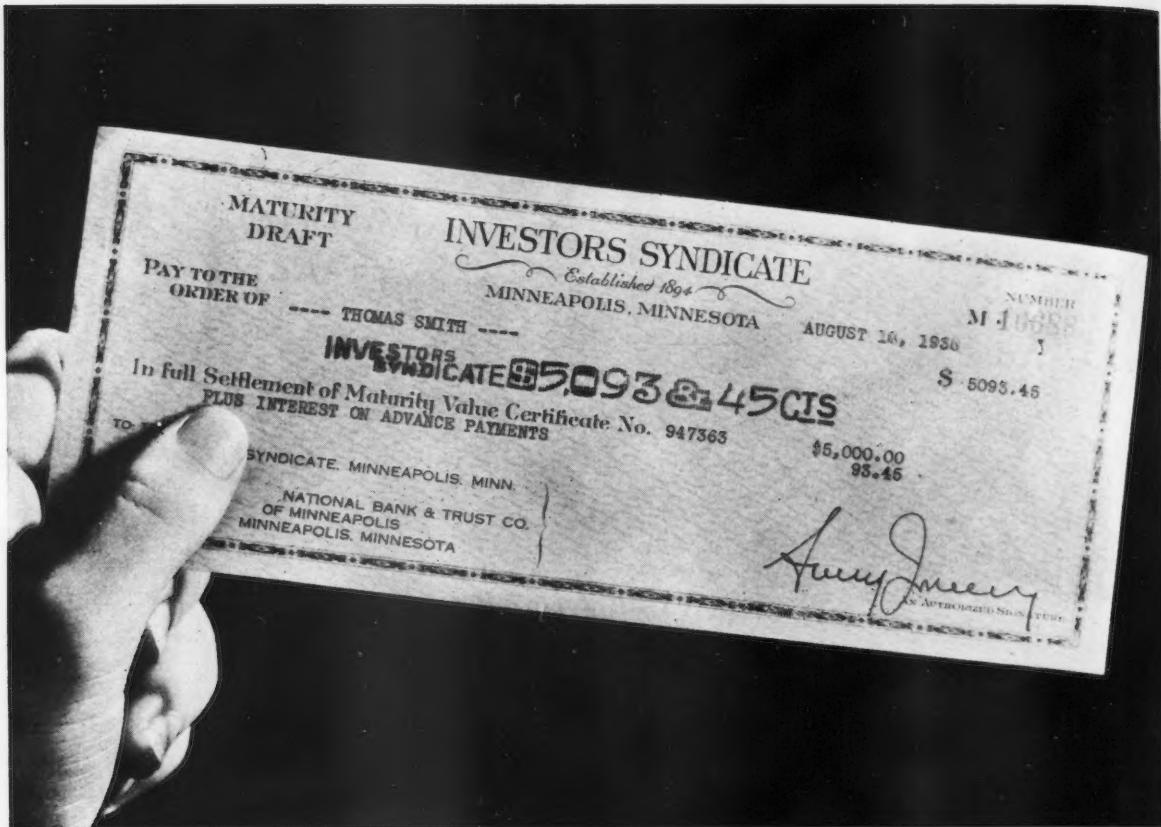
PROGRESS OF RECOVERY. The advance of recovery from the stagnation of last Summer has been uninterrupted. Wholesale markets reflect buying for Spring at a volume well in excess of last year. All recent national meetings of retailers, wholesalers and business people generally have reflected an optimistic outlook. Most of the forecasting is cautious but agrees that the direction is up.

BUILDING. Construction awards are chiefly responsible for the high point being reached by most indexes. In the march toward recovery the building industry continues aggressively out in front.

WAR AND RUMORS. The condition of our foreign relations does not help much. Being good neighbor to some countries and not so good to others has accomplished the same unpleasant result in both cases. Anglo-French-American understanding is something but even this is tenuous and we must look twice to see where our friends are.

All reports on the European situation add up to danger and in the Far East the only remaining question is what further steps must the United States take to protect its interests?

WILLIAM R. KUHNS



This will introduce Tommy Smith

IT DIDN'T seem likely that you'd ever meet Tommy.

For years, he was no more likely to walk into a bank than into an Arab's tent—to say nothing of having a handsome check to use as a calling card.

He was puzzled, bewildered, and a bit dismayed by his inability to keep from spending all he made. His efforts to accumulate money were haphazard, periodic, unsystematic—and unsuccessful.

That's where we came in.

We got hold of Tommy and persuaded him to try the *Living Protection* plan—a plan requiring him to put aside part of his earnings regularly and persistently—a plan with a fixity of purpose—a plan that could not be abandoned without some financial loss as well as an evasion of responsibility.

He began to accumulate some money.

And finally there came the day when Tommy walked into a bank and plumped down a check for several thousand dollars—as evidence. Evidence of a new-found ability to enter into the financial life of his community, to buy a home or farm or business, to stand on his own two feet and face the world with faith and

hope—but not a bit of need for charity.

For obvious reasons, Tommy Smith is an imaginary person. But he is typical of thousands of people whom we persuade each year to act as Tommy did. And in so doing, we sincerely believe that we render a reasonably important service to the Tommy Smiths, their bankers, and the communities in which they live.

We advocate for every man:

A WELL BALANCED PROGRAM

1. A bank account

2. Life Insurance

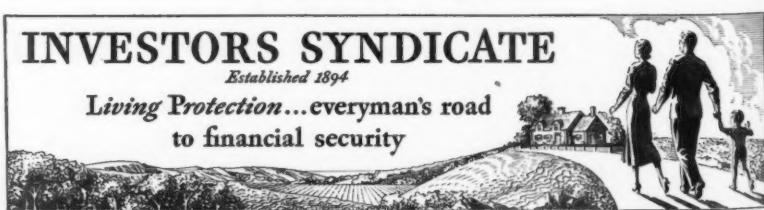
3. Living Protection

*Home office, Minneapolis, Minn. Affiliates: Investors Syndicate Title and Guaranty Co., New York;
Investors Syndicate, Limited, Canada.*

INVESTORS SYNDICATE

Established 1894

*Living Protection...everyman's road
to financial security*



WORDS and MUSIC

A NATIONAL FORUM ON MOVING PICTURES AND RADIO IN PUBLIC RELATIONS

Spreading the News

NEWS BROADCASTING, according to the files of BANKING's national radio survey, holds top position over all other bank experience classifications from the standpoints of audience appeal, reception, costs and net results. The reason for this may be attributed largely to two factors:

In the first place, news is one of the two basic qualities of radio; entertainment is the other. There are those who feel that radio reporting may in time out-mode the newspapers, although we have the word of the journalists that this shall never be. At any rate, the importance of radio as a news dispensing medium is readily agreed to by both sides to the argument. And it is safe to say that the public, consciously or not, turns more and more to radio for news.

This fact was brought home very forcibly within the past few months. The European crisis, the eastern seaboard hurricane and the November elections will probably be chronicled as three of the greatest demonstrations of news coverage in our time. The press did its job as thoroughly as

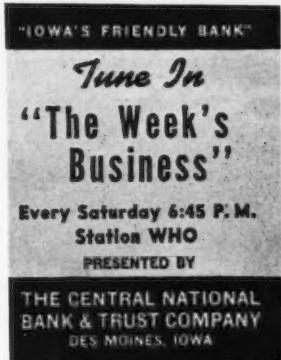
morning audience in the entire district. Another study released about the same time, covering rural program preference in Kansas and Iowa, showed an average total preference of 74.7 per cent for news programs by men and women living on farms, in small towns and average midwestern cities.

In the Iowa study, a representative of each family interviewed was asked to name the three specific radio programs he or she liked best. Nearly 13,000 listings were obtained. Here is the way they lined up: First preference for H. R. Gross, news commentator on station WHO, sponsored by the Central National Bank & Trust Company, Des Moines, in a news program called "The Week's Business" (reviewed here July 1938); second preference for Jack Benny (Jell-O); and a weak third for Chase and Sanborn Variety Show.

Now for a look on the other side of the picture—sponsor preference. A recent Hooper-Holmes Bureau study of the composition of all programs broadcast in the City of Boston during one week by eight stations showed no less than 241 quarter-hour news programs. Of the sets in use at the periods of these broadcasts, 26.6 per cent were tuned to these news programs.



Two stickers used by banks to advertise their programs



ever, but radio played the major rôle. News happened and was reported over the air waves long before it reached the linotype. Every radio family in the country, held spellbound by the dynamic force of these events—dramatized perhaps even more by their presentation—must have realized then, if not before, how much radio is being relied upon for news.

Of course, no one would care to see radio completely given over to news reporting, but numerous independent analyses of program preference indicate that news ranks first, a point which strongly favors the news sponsor.

Here is an interesting and very pointed example of the universal preference for news, taking in two markets as completely apart in temper, outlook and environment as could possibly be found. In a recent Hooper-Holmes Bureau study of listening habits in Metropolitan New York, said to be the world's most critical audience, the 8 A.M. news program on WOR was found to attract the largest single

Thus we can establish a definite case for news broadcasting. It is no small wonder, when we fully appraise program values, that news time on the air is held at a premium, and that major network advertisers continue news contracts indefinitely, while other program types run seasonally, some to a quick demise. It is no small wonder either that banks sponsoring news programs have usually met success.

There are, of course, several definite types of news programs all of which have been tested to a greater or less extent by banks reporting to this symposium. Types include news flashes irregularly spotted, daily press news reports on regular schedule, weekly—usually Sunday—news summaries, news interpretations by commentators, variations of the news review, and finally special programs on events of general news interest. Of all classes the one which appears to give maximum value to the sponsor is the daily press news on regular schedules. (CONTINUED ON PAGE 5)

Volume XXXI, No. 8. Published monthly and copyright 1939 by the American Bankers Association at 22 East 40th St., New York City. Harold Stonier, Publisher; William R. Kuhn, Editor; Assistant Editors, William P. Bogie and John L. Cooley; L. E. Lascelle, Circulation Manager; Field Representatives, Alden B. Baxter, Advertising Manager, Prentiss Jackson, Jr., 22 E. 40th St., New York City; Robert W. Kneebone, 230 N. Michigan Ave., Chicago, Ill.; R. J. Birch & Co., San Francisco, Cal.; Stanley Kerst, Los Angeles, Cal. Washington office, Washington Building, 15th St. and Pennsylvania Ave. Subscriptions: \$3 yearly; Canada, \$3.36; foreign, \$3.72; single copies, 25 cents. Entered as second-class matter May 5, 1909, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Additional entry at Concord, N. H. With the exception of official Association announcements, the American Bankers Association disclaims responsibility for opinions expressed and statements made in article published in this Journal.

Comfort is easier to rent than Space!



Have you a space leasing problem? You may find the solution to it in a "sample" job of York correct Air Conditioning!

Select a store, a floor or a suite . . . a really hard spot to rent . . . and have York Air Conditioning installed. Let York prove to you how much easier it is to rent comfort than space . . . prove its worth in *rental revenue*.

And later . . . if you want to Air Condition the entire building . . . your "sample" installation becomes an integral part of the whole job . . . not something that will have to be torn out.

Look in the classified section of your phone book for the York trademark.

York Ice Machinery Corporation, York, Penna. Headquarters Branches and Distributors throughout the world.

YORK
has completely
air conditioned more
office buildings
than anyone else!



*A few of the many Office
Buildings Completely
Air Conditioned With
YORK Equipment*

AMERICAN BUILDING, CINCINNATI, OHIO
BRIX BUILDING, FRESNO, CALIF.
CONTINENTAL BUILDING, ST. LOUIS, MO.
ELLIS, W. C. BUILDING, PHOENIX, ARIZ.
FEDERAL RESERVE BANK BLDG., ATLANTA, GA.
FIRST NATIONAL BANK, CINCINNATI, OHIO
HERSHEY CHOCOLATE CO., HERSHEY, PA.
HUMBLE OIL & REFINING CO., HOUSTON, TEX.
JOHNSON, S. C. BLDG., RACINE, WIS.
MARINER BLDG., MILWAUKEE, WIS.
MAYO BUILDING, TULSA, OKLA.
NIELS ESPERSON BUILDING, HOUSTON, TEX.
NEMOURS BUILDING, WILMINGTON, DEL.
RICE BUILDING, BOSTON, MASS.
SHELL BUILDING, ST. LOUIS, MO.
STANDARD OIL CO. OF LOUISIANA,
SHREVEPORT, LA.
24 FEDERAL STREET BLDG., BOSTON, MASS.
UNITED FRUIT BUILDING, NEW ORLEANS, LA.

HEADQUARTERS FOR MECHANICAL COOLING SINCE 1885

(CONTINUED FROM PAGE 3)

Listed among the regular news broadcast sponsors is the Commonwealth Bank of Toledo, Ohio. Since the Autumn of 1937, in addition to five spot announcements carried weekly on stations WWJ and WJR, the bank has sponsored a five-minute morning news program six days a week on station CKLW—all at a total cost of \$365 weekly.

News broadcast time is 8 to 8:05 A.M., Monday through Saturday, while spot schedules are staggered on the other two stations between 6 and 7 P.M. News broadcast commercials and spot announcements advertise specific

conjunction with a complete analysis of other forms of advertising such as newspapers, direct mail, car cards, etc.

"Our own experience has fully justified our judgment in utilizing radio. We did not feel we could afford expensive talent, but found that by replacing such talent with something of prime public interest, we could accomplish the same results at less cost."

The entire cost of the bank's program on an annual basis is \$245 per week for six days of the week—actual station time costs. No fee is paid for the news service, and the bank's agency handles all script.

The First Citizens Bank and Trust Company, Utica, New York, like a number of other banks in this class, uses an 8:00 to 8:05 A.M. news program to reach the white collar workers at the breakfast table. To build an audience, the bank sponsors 20 daily station-break announcements calling attention to the morning news program. Also newspaper advertisements carry a spot position referring to the program. Regular news broadcast appropriation is \$1,072.80 annually. The station is WIBX.

BUILD-UP NECESSARY

GEORGE O. EVERETT, assistant vice-president of the bank, remarks: "We are convinced that these programs have materially increased applications for personal loans and register checks. We believe, however, that any radio program must be used at least one year in order to build up a listening public."

True, the costs of the above programs may be prohibitive to smaller institutions with very limited advertising budgets. The case of some 20 Nebraska banks, however, illustrates how small institutions may line up cooperatively for a news broadcast emanating from a single station.

These banks, all operating in the Third Congressional district, comprising 23 counties in northeastern Nebraska, sponsor a news broadcast at 6:30 A.M. during Summer months, 7:15 A.M. in Winter, over station WJAG at Norfolk. The cost per month, estimated at \$160, is pro-rated among the banks according to size (based on deposits). Small institutions pay as little as \$3 per month for their participation.

F. Earl Wallace, president of the Morris Plan Company of Boston, explains how and why his institution chose news broadcasting: "We approached the question of radio advertising after a careful analysis of costs, possibilities and actual results. This was done in

HERE is perhaps no subject today in which people are more interested than in business. Believing that it can render a still further and more complete service to the people of Iowa—the Central National Bank and Trust Company of Des Moines is pleased to announce the inauguration of a new weekly radio program, to be broadcast over Radio Station WHO, Des Moines, at 6:15 P.M. this Saturday, February 26, 1938, and each Saturday evening thereafter. This program is to be known as

"The Week's Business"

The purpose of the program will be to present in an uncolored, unbiased manner the week's outstanding business developments and trends—with particular reference to their relation to Iowa. We cordially invite you to become a regular listener to this program. We will thoroughly appreciate any criticisms or suggestions you may have and which you feel will improve the news content or presentation.

"Iowa's Friendly Bank"
Central National Bank and Trust Company
Des Moines, Iowa

Member of Federal Deposit Insurance Corporation

Folder announcing a broadcast series



ABOUT SMALL CHECKING ACCOUNTS

NO. 11 OF A SERIES

De Luxe presents these talks as a contribution to a subject of vital interest. We welcome questions, ideas and comments pertaining to the small account movement.

How should small checking account service be priced?

While five cents per item will show a satisfactory profit in most cases when the activity is great enough, there would hardly be enough revenue if only four or five items were involved. Every account has to carry a certain amount of overhead and preparatory labor regardless of activity. Therefore, if a profit is to be made, this "readiness to serve" expense should be recovered in addition to activity charges.

The trend now appears to be favorable towards the establishing of a small maintenance charge and a regular item charge of three, four, or five cents. Earnings on the loanable balance are then credited to the account in the same manner as if it were individually analyzed and the net amount is the price.

The advantages in this type of price list are manifold. First, it can be supported. Second, it employs the same identical principle as is used on the very large accounts. Third, it insures a uniform percentage of profit on all small and medium size balances. And fourth, it is acceptable to the public.

The "public" exhibits rare ability when it comes to determining values and is willing to pay for anything which is correctly priced. So, the answer to the question as to how small checking account service should be priced would seem to be—price it according to known costs plus reasonable profit.



No Absence from Illness in Three Years

N. J. Bank also Reports
Efficiency UP . . . Expen-
ses DOWN . . . Customers
More Appreciative . . .

Carrier
Air Conditioning



1. DOES COMFORT PAY?

Ask the management of the Perth Amboy Savings Institution in Perth Amboy, N. J. They'll give you the facts . . . they'll tell you, for example, that not one employee has been absent through personal illness since the Carrier System was installed in 1935. And as for efficiency — they'll tell you it's "tops."



2. MORE PROOF that Carrier Air Conditioning is a sound investment. During the past three years, cleaning expense has been reduced to a minimum—and redecorating costs are the lowest in the history of the bank. Dirt and dust are nuisances no longer—thanks to the efficient filtration of Carrier Air Conditioning.

3. INGENIOUS DISPLAY

of Carrier filters in Perth Amboy Savings Institution attracts attention of many clients—anxious to learn more about the Carrier System that keeps the air so cool and free from humidity in hot weather—so clean and refreshing throughout the year. Appreciated? And how!

voted 37 years exclusively to the design, manufacture and efficient installation of air conditioning equipment. No bank is too small—banks no larger than the First National Bank in Gretna, La., are benefiting every summer with Carrier Air Conditioning. No bank is too large—such banks as the Northern Trust in Chicago, and the Brooklyn Dime Savings Bank in Brooklyn have been increasing efficiency with Carrier, for years! Insure the efficiency of your employees and the goodwill of your patrons by calling your Carrier representative NOW.

Plan YOUR Installation, Now!

Yes, now—now, while there's still plenty of time to make your plans carefully . . . to select the particular Carrier System best suited to your needs . . . to make sure your installation is ready to increase your efficiency when the first hot day arrives. Without the slightest obligation, your local Carrier representative will help you make those plans. And he'll bring you the helpful advice and experience of the entire Carrier organization—the organization that has de-

CARRIER IGLOO of TOMORROW



NEW YORK WORLD'S FAIR

CARRIER CORPORATION,
Syracuse, N. Y., Desk B36
Send me complete information on
Carrier Air Conditioning for Banks.
Without obligation, of course.

Name.....
Bank.....
City.....

announcers, the history of the station and other interesting data. Participating banks distribute these booklets on request. Small poster stickers advertising the news program are carried on the correspondence of all the banks, and this also serves to tie-up local sponsorship.

The actual program follows the usual make-up in this manner. Following the opening announcement the news is read and at the half-way point a brief commercial is inserted. A committee of bankers prepares bank copy in cooperation with the station management.

E. W. Rossiter, president of the Bank of Hartington, states: "Our bank has checked our news audience by mailing a return Government post card to farmers in the district, requesting them to indicate their favorite news broadcast and to indicate the station and the hour preferred in the home. Being a strictly farming area, these cards go to farmers only, as they are the class we wish to reach with this early morning newscast. Replies have been very satisfactory. We believe radio superior to any other method for reaching the public with bank advertising."

THINGS TO NOTE

TO summarize, BANKING's reports indicate that sponsors of news programs are, with but few exceptions, wholly satisfied with results. The values seem to lie in these directions: (1) there is a well defined preference for news over other program styles; (2) news programs attract an audience perhaps more quickly than any other program style so that extensive program build-up is not necessary; (3) news is popular at any hour, day or night, and thus sponsors may take advantage of lower day-time rates and the still lower early morning rates; (4) costs of sponsorship as a rule are simply station time, "talent"—unless a special announcer or commentator is used—being eliminated, and (5) there is greater pulling power.

It must be remembered, however, that news is simply the vehicle of broadcast and does not in itself assure results. The commercial announcement either sells or it doesn't. Therefore, in planning news broadcasts it is highly important to design and fit commercials in such a way that they will have every advantage of direct selling. If tuned to the program and carried with a newsy flavor, the news commercial has its best chance to bring results. A luke-warm commercial and hot news give the same effect as hot and cold water.

"Unforeseen events . . . need not change and shape the course of man's affairs"



... AND KEEP YOUR POWDER DRY

There is more to a fidelity bond than simply reimbursing you after the loss has been found out. The very knowledge that your employes are bonded helps to prevent defalcations...discourages deliberate dishonesty...deters the man or woman who might yield to sudden temptation. It fits the needs of the employer who has full trust in his employes but who knows it is common sense to "keep your powder dry."

When you bond your employes with The Maryland, too, preventive machinery is automatically put to work. Individual employe records are investigated, facts ascertained which might not be readily available to the employer. Careless han-

dling of funds or stock, faulty accounting methods or other dangerous loopholes often are uncovered. Weak spots in business operations can be exposed, so that ordinary forms of misappropriation may be discovered in the early stage. Recommendations along these lines to one policyholder made possible a saving of \$50,000 in annual cost.

It is only good business—for you, for us and for the employee—if you can cut down the number of defalcations and the resulting loss. It pays in many ways to "keep your powder dry." Maryland Casualty Company—Baltimore.

THE MARYLAND

The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland agents are equipped to help you obtain protection against unforeseen events in business, industry and the home.

"Five Dollars' Worth of groceries, please *It doesn't matter what . . . IT'S FOOD, ISN'T IT?*"



THE absent-minded professor may buy food that way. But your important customers don't. Housewives demand that you keep a wide variety on your shelves so that you can fill their special needs at a moment's notice. And many products must be fresh daily.

So the experienced housewife of today does not turn her kitchen pantry or her cellar into a food warehouse. She gladly pays your slight profit for your services as an expert middleman who knows his groceries.

When the retail grocer buys insurance from the experienced agent or broker of a stock insurance company he does not say "\$50 worth of insurance please". He asks for and gets the advice and full

services of an expert purchasing agent in the complex insurance field, like himself an expert middleman. No worries about uncovered risks that might wreck a business.

* * *

Because we believe so thoroughly in the services of an expert middleman whether retail grocer, insurance agent or broker, we refuse to accept business direct because it is not in the interests of the Company or the assured to do so. When you buy National Surety Fidelity Bonds, Surety Bonds, Burglary or Forgery Insurance through your local insurance agent or broker, you deal with a customer and friend who is a fellow member and supporter of the American Business System.

● This is a reprint of an advertisement of a stock-insurance company directed to the independent business men in the grocery trade in your city.

The commercial bank, like the merchant, is a middleman, specializing in the credit field. Its customers and its directors, are chiefly independent business men—representative of the American Business System.

NATIONAL SURETY CORPORATION

VINCENT CULLEN, President

JUST A MINUTE

Banking in School

To the Editor:

As a teacher of commercial law in Humboldt High School, St. Paul, Minn., I wish to express my appreciation for the copies of BANKING which, I understand, The First National Bank of St. Paul, furnishes to my principal, Mr. J. A. Wauchope. He, in turn, has turned them over to me for supplementary material.

Such articles as the one in the November issue listing Government agencies for lending money, and the facilities a bank has to offer; and in the December issue such articles as "Term Loans for Small Business", "The Adventures of a Safe Depositor" and the "Confidential Relationship of Bank and Its Depositor" on the Legal Answer Page, I believe are of real value to the children.

PAUL JARVIS
Humboldt High School
St. Paul, Minn.

Time for Term Papers

To the Editor:

I would like some information concerning the question or offering some viewpoints on the subject of competition between the Federal Government and banks in regard to making loans.

I am a student in the University of Oklahoma and I have selected this subject for a term paper. Information and data concerning Government agencies for making loans are rather difficult to acquire. Also this contrast has never been too widely written on, and if you could refer me to any sources of information it would be very heartily appreciated.

RAYMOND GABEY
1309 Broadway Place
Oklahoma City, Oklahoma

A study of this subject appeared in last November's issue. Reprints are now available.

Publicité Bancaire

To the Editor:

Je viens de lire dans le numéro de ce mois de BANKING le très intéressant article que vous y avez publié sous le titre "Public Relations and Advertising."

Verriez-vous un inconveniencé à ce que je publie, sous votre signature, une traduction résumée de cet article dans ma Revue de la Banque dont je vous envoie le dernier numéro par pli séparé. J'aimerais beaucoup en effet qu'une plume aussi autorisée que la vôtre dormât aux lecteurs belges et français une idée des grands efforts déployés aux Etats-Unis dans le domaine de la publicité bancaire et dans celui des relations des banques avec le public.

Je reste dans l'attente de vos bonne

nouvelles et vous prie d'agrérer, l'honneur, avec mes remerciements par avance, l'expression de ma considération très distinguée.

ROBERT BANNEUX, Secrétaire
Caisse Générale de Reports et de
Dépôts
Directeur de la Revue de la Banque
Bruxelles

which says, in English,

I happened to read in this month's number of BANKING the very interesting article which you have published under the title "Public Relations and Advertising."

Would you have any objection if I publish, under your name, a summary translation of this article in my "Banking Review" of which I am sending the last number under separate cover?

I would very much like that pen which speaks with as much authority as yours to give the Belgian and French readers an idea of the huge efforts shown in the United States in the realm of publicity and of relations of banking with the public.

I remain waiting to have some good news from you and beg you to accept with my thanks in advance the expression of my very distinguished consideration.

ROBERT BANNEUX, Secretary
Caise Generale de Reports et de
Dépots
Director, Banking Review
Brussels

Togo Try Propheting

To Ed. BANKING which adopt Purity Theme for Jan. Cover.

Dear Mr. do.:

On No. 33 Page of Jan. (advt) I see picture piece "The Trend of Trends in 1939" which make Forecast about continued fights, throw-away of public \$s, politics, and-thus-on. Well, this remind me of piece I have made with intent of suggesting that it go in BANKING. But it do not get finished until so late it will not sell, so you get it here ex-cost. It are Big Predict for 1939, too, and look as follows (Jan. not in, as it are all over by Feb. issue):

February:—U. S. make whoopee over Birthdays of Hons. Lincoln and Washington, with many words about Poor Boys, Liberty, Entangling Alliances (which un-good), Cost of Govt. Now and Then, etc.—Congress in big stew about Relief.—A.B.A. hold Big Meets at Columbus, Minneapolis (advt.)

March:—Income tax make outgo from pocketbook.—Spring arrive by astronomy.—Congress in big stew about Labor, Taxes, WPA, UnAmericans, World's Fair (advt.), Hitler, Battleboats, Farmers.—National Debt do much better, boasting over 40 bill. \$s.—Excessive reserve of

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UNITED STATES GOVERNMENT SECURITIES

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FEDERAL LAND BANK
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MUNICIPAL BONDS

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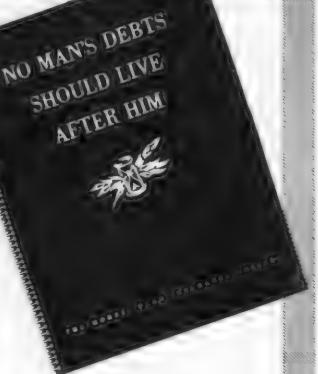
other miscellaneous

inland marine lines

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—E. S. WOOLLEY
in Banking for January

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banks boost to 4 bill. \$s.—A.B.A. have Two (2) Big Meets in N. Y. (advt.)

April:—Trout season arrive here (N.Y.).—Million (1,000,000) people start for World Fair (advt.)—BANKING come out with spinach cover (?).—Congress in big stew over Taxes, WPA, UnAmericans, Labor, Hitler, Farmers and Battleboats (see above).

May:—Million (1,000,000) people arrive for World Fair.—Excessive reservations of banks elevate to 4½ bill. \$s.—Congress still in stew, no change in contents.—WPA boys get free trip to Fair to study parking habits of cars found there.—King George-Queen Elizabeth visit unveiled for U. S.

June:—Congress mop face and think about go-home time.—Hitler (advt.) have late attack Spring Fever and get restless for bigger estate.—Japanese-Chinese war still running.—Income Tax again do stuff.—Fiscal Yr. close with bang.

July:—Have Independence Day on No. 4 of this month, with many speaks all over and in Congress which now really sweat.—Business get duller, if possible, but vacation spell bring big boom to golf ball, trout, beach and gasoline lines.

August:—Not much change in temperature.—Congress give up, which relieve pressure for front page space in newspapers.—Europe cook up war scare for Fall consumption.

September:—Labor Day offer much parade and speech-giving.—Business wonder whether Autumn to be Good, Bad or Indiff.—BANKING repeat Cream of Tomato Cover.—Income tax repeat also.

October:—Christopher Columbus get annual blame for founding us which lead to Royalists (British, Economic), Taxes, Budget, New Deal, Republican Party, World's Series, Excessive Reserves, Football, etc.—Business well as expectable.—Congress think about resume, and do.

November:—First anniversary Republican Comeback (advt.).—Chilly at World Fair Ground (advt.).—Election rehearsal for 1940.—Thanksgiving (advt?).

December:—Income Tax say goodbye with wishes for bigger, better one next yr.—Santa Claus drop hint about Presidential Runners.—Yr. end with some return for business, red ink and Doghouse for Govt.

Well, Mr. Ed., as Wall Street's Boys (advt?) report in small type during Dear Days now unalive, "We receive this info. from source places that have accurate look, but can't attach guaranty."

Caveat Emptor (advt.)!

TOGO, JR.

P.S.

Dear Ed: (again): I am informed by Hon. Wife to say that re article 24 Page (Jan. issue) gentleman described there are MC CULLOCH, not McCullough, as per printed. I make investigate and find she are right.

Well, Hon. Ed. we all do mistakes, and if you want examples furnished by me I will

BANKING

be glad to offer same without charge.
They would make good Funny Dept. for
Mag. (advt.)

Mr. and Mrs. Togo are indeed right. The first Comptroller of the United States was Hugh McCulloch, not McCullough, although some contemporary articles spelled the name as BANKING carried it.

The Personal Column

ALLAN FORBES, president of the State Street Trust Company of Boston, is the author of a new book published in November by Houghton Mifflin Company. This book, *Sport in Norfolk County*, chronicles the development of country club life and outdoor sport in one of the oldest and most interesting sporting centers in the land. Mr. FORBES, who is a leading sportsman, is the author of a number of historical brochures.

HARLEY F. DROLLINGER, vice-president of the Manufacturers and Traders Trust Company of Buffalo, New York, has been a director of the Buffalo Y.M.C.A. for five years and its president for the past two years. Since this and other civic and business activities keep him exceedingly busy during most of the year, Mr. DROLLINGER logically seeks peace and quiet during the vacation period. For years he and his wife have made camping trips into Canada where, far removed from civilization, they lead a primitive life.

VICTOR CULLIN, assistant secretary of the Mississippi Valley Trust Co., is another of the large numbers of bankers who have done service in the interest of the "Y". Mr. CULLIN is general campaign chairman and as such directed this year's successful county-wide current expense campaign. Raising funds is not a new story to Mr. CULLIN. As chairman of the senior memorial committee of the class of 1920 at the University of Illinois, he raised the funds for the 15-bell chimes, the largest set of chimes in the United States.

The financial editor of a prominent Chicago paper recently stated that THOMAS H. BEACOM, JR., assistant vice-president of the First National Bank of Chicago, was the finest extemporaneous speaker it had ever been his

(CONTINUED ON PAGE 14)



A NAME your depositors know and respect
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New Issues • • • 1938

*\$2,415,400	ALBANY, N. Y.
	2 % and 2 1/4 % Bonds, Due 1939-78
* 896,000	ALBANY COUNTY, N. Y.
	2.10 % Bonds, Due 1949-58
* 5,000,000	ALLEGHENY COUNTY, PA.
	2 1/2 % Bonds, Due 1939-68
† 87,000	ANDERSON, IND.
	SCHOOL CITY
	2 % Bonds, Due 1940-49
† 74,000	BAY CITY, MICH.
	1 1/4 % Bonds, Due 1939-41
† 100,000	BETHLEHEM, PA., S. D.
	1 1/4 % Bonds, Due 1939-43
1,070,000	BIRMINGHAM, ALA.
	3 1/4 % Bonds, Due 1942-58
† 100,000	BLACK HAWK COUNTY, IOWA
	2 1/2 % Bonds, Due 1940-56
† 68,000	BLOOMINGTON, IND.
	SCHOOL CITY
	2 % Bonds, Due 1939-48

† 4,000,000	BOSTON, MASS.
	0.90 % Temp. Loan Notes, Due 4-12-1939
† 180,000	BRADFORD COUNTY INST. DIST., PA.
	1 1/4 % Bonds, Due 1942-47
† 200,000	BURNS, BIRDSALL, ALMOND, ETC., N. Y., TOWNS OF, C. S. D.
	No. 2
	3 % Bonds, Due 1940-67
† 200,000	CAMBRIDGE, MASS.
	1 % Bonds, Due 1939-43
* 1,188,000	CAMBRIDGE, MASS.
	2 % Bonds, Due 1939-58
* 440,000	CAMBRIDGE, MASS.
	1 1/4 % and 2 % Bonds, Due 1939-58
† 350,000	CATO, IRA, ETC., N. Y.
	TOWNS OF, C. S. D. No. 1
	2.40 % Bonds, Due 1941-68
* 4,500,000	CHARITY HOSPITAL OF LOUISIANA
	3.85 % Bonds, Due 1942-68
† 130,000	CHARLEROI, PA., BOROUGH OF
	2 1/2 % Bonds, Due 1943-55
* 300,000	CHARLESTON COUNTY, S. C.
	2 1/2 % and 2 3/4 % Bonds, Due 1943-52
* 4,700,000	CITY OF CHICAGO, ILL.
	WATERWORKS SYSTEM
	3 % Certificates of Indebtedness Due 1955-58
* 2,600,000	CITY OF CHICAGO, ILL.
	WATERWORKS SYSTEM
	3 % and 3 1/4 % Certificates of Indebtedness Due 1943-54

† 125,000	DULUTH, MINN.
	2.60 % Bonds, Due 1941-52
† 75,000	EAST PITTSBURGH, PA.
	2 1/2 % Bonds, Due 1941-62
† 250,000	EAU CLAIRE COUNTY, WIS.
	2 % Bonds, Due 1939-48; Opt. 1942
* 771,000	ELMIRA, N. Y.
	1.40 % Bonds, Due 1939-54
† 50,000	ENDICOTT, N. Y., VILLAGE OF
	1.10 % Bonds, Due 1939-43
* 350,000	ERIE, PA., S. D.
	2 1/4 % Bonds, Due 1940-48; Opt. 1942
† 190,000	EVANSVILLE, IND.
	WATER DIST.
	2 1/4 % Bonds, Due 1940-59
† 204,000	FULTON, N. Y.
	1 1/2 % Bonds, Due 1939-48
† 67,000	GRANVILLE, N. Y., TOWN OF
	2.10 % Bonds, Due 1939-48
† 288,000	GREENBURGH, N. Y., TOWN OF
	U. F. S. D. No. 8
	3.10 % Bonds, Due 1939-62
† 150,000	GUILFORD COUNTY, N. C.
	3 % Bonds, Due 1944-53

A LIST of 134 bond, note, and debenture issues with which Halsey, Stuart & Co. Inc. was identified during 1938 as one of the original underwriters is presented here. Underwriting interest in the 24 corporation issues with which this organization was so identified ranged from 1.5% to 50%. Of the 110 municipal issues originating in 26 states, 66 issues were underwritten alone by Halsey, Stuart & Co. Inc.; 41 issues were underwritten by groups headed by Halsey, Stuart & Co. Inc. In aggregate par amount (\$896,065,500) the 134 issues represent about 40% of all corporate and municipal bond financing publicly offered in the United States during the year.

† \$ 200,000	GUILFORD COUNTY, N. C.
	3 1/4 % and 3 1/4 % Bonds, Due 1943-62
† 105,000	HASTINGS-ON-HUDSON, N. Y.
	VILLAGE OF
	2 1/4 % Bonds, Due 1939-48
† 100,000	HAVERHILL, MASS.
	1 1/4 % Bonds, Due 1939-48
* 300,000	HILLSBOROUGH COUNTY, N. H.
	3 % Bonds, Due 1939-58
* 120,000	HOMESTEAD, PA.
	BOROUGH OF
	2 3/4 % Bonds, Due 1943-58
† 250,000	JERSEY CITY, N. J.
	4 1/4 % Bonds, Due 1939-48
† \$ 437,000	MONTCLAIR, N. J., TOWN OF
	2 1/2 % Bonds, Due 1939-70
† 300,000	MOUNT LEBANON, PA.
	TOWNSHIP OF
	2 1/2 % Bonds, Due 1949-51
† 85,000	NEW CASTLE, PA., S. D.
	2 % Bonds, Due 1939-45
* 1,250,000	NEW HAVEN, CONN.
	2 1/4 % Bonds, Due 1940-58
† 128,000	NEWPORT, R. I.
	1 1/4 % Bonds, Due 1939-51
* 623,000	NEW ROCHELLE, N. Y.
	2 % Bonds, Due 1939-48
50,000,000	NEW YORK, N. Y.
	3 % and 3 1/4 % Bonds, Due 1939-78
† 741,000	NEW YORK, N. Y.
	4 % Bonds, Due 1952-62
† 65,000	NILES, MICH., S. D. No. 1
	1 1/4 % Bonds, Due 1939-43
† 55,000	NORRISTOWN, PA., S. D.
	1 1/2 % Bonds, Due 1939-49
† 198,000	NORTH HEMPSTEAD, N. Y.
	TOWN OF, U. F. S. D. No. 6
	2.40 % Bonds, Due 1941-57
† 92,000	NORTH HEMPSTEAD, N. Y.
	TOWN OF, U. F. S. D. No. 4
	2 1/4 % Bonds, Due 1941-55
* 281,000	NORWICH, CONN., TOWN OF
	2 % Bonds, Due 1940-59
† 2,740,000	OKLAHOMA, STATE OF
	2 % Notes, Due May 1, 1939
* 1,455,000	OKLAHOMA, STATE OF
	1 1/4 % Notes, Due May 1, 1939
† 76,400	OLEAN, N. Y.
	1.70 % Bonds, Due 1940-48
† 900,000	ONONDAGA COUNTY, N. Y.
	0.30 % Certificates, Due June 1, 1939
† 170,000	OSWEGO, N. Y.
	1.80 % Bonds, Due 1939-48
† 125,000	POCAHONTAS COUNTY, IOWA
	2 1/4 % Bonds, Due 1945-50; Opt. 1944
† 200,000	PORTLAND, ME.
	1 1/4 % Bonds, Due 1939-58
* 435,000	RAMSEY COUNTY, MINN.
	2 1/4 % Bonds, Due 1939-48
* 435,000	RAMSEY COUNTY, MINN.
	2 % Bonds, Due 1939-48
* 1,100,000	ROCHESTER, N. Y.
	1.70 % Bonds, Due 1940-48
* 2,000,000	ROCHESTER, N. Y.
	2 % Bonds, Due 1939-58

**IN WHICH
HALSEY, STUART & CO. INC.
PARTICIPATED
AS AN ORIGINAL
UNDERWRITER**

\$ 192,000 ST. JOSEPH COUNTY, IND.
2 1/4 % Bonds, Due 1939-48
• 165,000 ST. PAUL, MINN.
2 1/2 % Bonds, Due 1939-48
• 3,199,000 SAN FRANCISCO, CALIF.
1 1/4 % and 2 1/2 % Bonds, Due 1940-48
† 100,000 SARATOGA SPRINGS, N. Y.
1 40 % Bonds, Due 1939-48
† 438,000 SCHENECTADY, N. Y.
1 80 % Bonds, Due 1939-48
† 400,000 SCRANTON, PA.
3 % Bonds, Due 1939-68
† 128,000 SIOUX CITY, IOWA
2 1/4 % Bonds, Due 1940-48
† 175,000 SOMERVILLE, MASS.
2 % Bonds, Due 1939-48
† 120,000 SOMERVILLE, MASS.
1 1/4 % Bonds, Due 1939-48
† 92,000 SOMERVILLE, MASS.
1 1/4 % Bonds, Due 1939-48

• 150,000 SPARTANBURG, S. C.
S. D. No. 34
3 % Bonds, Due 1942-58
† 152,000 STERLING, ILL.
2 1/4 % Bonds, Due 1939-55
† 100,000 SWISSVALE, PA., S. D.
BOROUGH OF
2 1/4 % Bonds, Due 1939-48
† 165,000 TARRYTOWN, N.Y., VILLAGE OF
2 3/4 % Bonds, Due 1941-59
† 192,000 TAUNTON, MASS.
1 1/4 % Bonds, Due 1939-48
• 2,468,000 TENNESSEE, STATE OF
2 1/2 % Bonds, Due 1948-49
• 519,000 TROY, N. Y.
2 20 % Bonds, Due 1939-48
• 380,000 TROY, N. Y.
1 1/4 % Bonds, Due 1939-48
• 7,900,000 UTICA, N. Y., WATER REVENUE
2.60 % and 2.75 % Bonds,
Due 1940-73

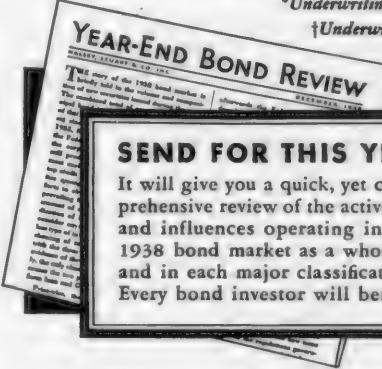
† 61,000 VALLEY STREAM, N. Y.,
VILLAGE OF
1 90 % Bonds, Due 1939-51
• 546,000 VESTAL, N. Y., TOWN OF
C. S. D. No. 1
2.90 % Bonds, Due 1939-62
† 173,000 WALTHAM, MASS.
2 % Bonds, Due 1939-48
† 100,000 WEBSTER COUNTY, IOWA
2 1/4 % Bonds, Due 1948-53
• 500,000 WEST VIRGINIA, STATE OF
2 1/4 % Bonds, Due 1938-62
• 500,000 WEST VIRGINIA, STATE OF
1 1/4 % and 2 % Bonds, Due 1939-63
† 160,000 WILLIAMSPORT, PA.
1 1/4 % Bonds, Due 1939-47
† 157,000 WINDSOR, VT., S. D.
2 1/4 % Bonds, Due 1940-57
• 950,000 WINNETKA, ILL., VILLAGE OF
2 1/4 % Bonds, Due 1939-58

• 1,422,000 WORCESTER, MASS.
1 1/2 % Bonds, Due 1939-48
† 80,000 WORTH COUNTY, IOWA
2 1/4 % Bonds, Due 1949-50;
Opt. 1944
† 530,000 WRIGHT COUNTY, IOWA
1 1/4 % Bonds, Due 1939-45
• 611,000 YELLOWSTONE COUNTY,
MONT., S. D. No. 2
2 1/4 % Bonds, Due 1940-59;
Opt. 1944
• 257,505 YOUNGSTOWN, OHIO
3 1/2 % Bonds, Due 1945-56

Amount of Issue		Underwriting Interest
\$57,000,000	APPALACHIAN ELECTRIC POWER COMPANY	\$ 850,000
First Mortgage Bonds, 4% Series, Due February 1, 1963		
10,000,000	APPALACHIAN ELECTRIC POWER COMPANY	150,000
Sinking Fund Debentures, 4 1/4 % Series, Due February 1, 1948		
*38,000,000	CENTRAL ILLINOIS PUBLIC SERVICE COMPANY	3,000,000
First Mortgage Bonds, Series A, 3 1/4 %, Due December 1, 1968		
*10,000,000	CENTRAL ILLINOIS PUBLIC SERVICE COMPANY	790,000
Serial Debentures, 3 1/2 %-4%, Due December 1, 1939-1948		
*30,000,000	CHESAPEAKE AND OHIO RAILWAY COMPANY, THE . . .	15,000,000
Refunding and Improvement Mortgage 3 1/2 % Bonds, Series F, Due December 1, 1963		
*33,000,000	COMMONWEALTH EDISON COMPANY	4,150,000
First Mortgage 3 1/2 % Bonds, Series I, Due June 1, 1968		
*39,083,195	COMMONWEALTH EDISON COMPANY	4,909,700
Convertible Debentures, 3 1/2 % Series, Due July 1, 1958		
*33,000,000	COMMONWEALTH EDISON COMPANY	3,700,000
First Mortgage 3 1/2 % Bonds, Series I, Due June 1, 1968		
*39,250,000	COMMONWEALTH EDISON COMPANY	4,426,200
Convertible Debentures, 3 1/2 % Series, Due July 1, 1958		
*24,500,000	COMMONWEALTH EDISON COMPANY	2,664,400
Convertible Debentures, 3 1/2 % Series, Due July 1, 1958		
50,000,000	FIRESTONE TIRE & RUBBER COMPANY	3,000,000
Ten Year 3 1/2 % Debentures, Due October 1, 1948		
7,750,000	GREEN MOUNTAIN POWER CORPORATION	1,000,000
First and Refunding Mortgage Bonds, 3 1/4 % Series, Due December 1, 1963		
32,000,000	INDIANAPOLIS POWER & LIGHT COMPANY	1,834,000
First Mortgage Bonds, 3 1/4 % Series, Due August 1, 1968		
5,500,000	INDIANAPOLIS POWER & LIGHT COMPANY	315,000
3 1/2 %, 3 1/4 %, 4 % Serial Notes, Due August 1, 1939-1948		
20,000,000	LONE STAR GAS CORPORATION	1,000,000
15-Year 3 1/2 % Sinking Fund Debentures, Due August 1, 1953		
34,000,000	MICHIGAN CONSOLIDATED GAS COMPANY	2,500,000
First Mortgage Bonds, 4 % Series, Due September 1, 1963		
8,000,000	MICHIGAN CONSOLIDATED GAS COMPANY	858,000
4 % Serial Notes, Due August 1, 1939-1948		
55,000,000	OHIO POWER COMPANY, THE	1,000,000
First Mortgage Bonds, 3 1/4 % Series, Due October 1, 1968		
*80,000,000	PUBLIC SERVICE COMPANY OF NORTHERN ILLINOIS . . .	8,700,000
First Mortgage Bonds, 3 1/2 % Series, Due October 1, 1968		
16,500,000	SAN ANTONIO PUBLIC SERVICE COMPANY	1,165,000
First Mortgage Bonds, 4 % Series, Due April 1, 1963		
2,500,000	SAN ANTONIO PUBLIC SERVICE COMPANY	177,000
4 % Serial Notes, Due April 15, 1939-1948		
30,000,000	TOLEDO EDISON COMPANY	2,500,000
First Mortgage Bonds, 3 1/2 % Series, Due July 1, 1968		
37,500,000	VIRGINIA ELECTRIC & POWER COMPANY	1,250,000
First and Refunding Mortgage Bonds, Series B, 3 1/4 %, Due September 1, 1968		
55,000,000	WISCONSIN ELECTRIC POWER COMPANY	1,000,000
First Mortgage Bonds, 3 1/2 % Series, Due October 1, 1968		

*Underwriting Group headed by Halsey, Stuart & Co. Inc.

†Underwritten alone by Halsey, Stuart & Co. Inc.



SEND FOR THIS YEAR-END BOND REVIEW

It will give you a quick, yet comprehensive review of the activities and influences operating in the 1938 bond market as a whole—and in each major classification. Every bond investor will benefit

from a reading of this review—gaining a better understanding of past trends and a basis for future judgment. A copy will be sent without obligation, upon request. Simply write for leaflet KC-37.

HALSEY, STUART & CO. INC.

CHICAGO, 201 South La Salle Street • NEW YORK, 35 Wall Street
AND OTHER PRINCIPAL CITIES

COMMERCIAL INVESTMENT TRUST INCORPORATED



COMMERCIAL INVESTMENT TRUST Incorporated, with capital and surplus in excess of \$67,000,000, provides a nation-wide sales finance service through subsidiary companies with a network of branch offices throughout the United States. This service, which consists of purchasing self-liquidating accounts, extends to automobile dealers, household appliance dealers, and to manufacturers and dealers in many lines of industrial, commercial and professional equipment, including the heavy goods industries.

C. I. T. offers its standard notes for short term accommodation in varying amounts from \$1,000 to \$100,000, in maturities from 60 to 270 days and at current discount rates. These notes are payable at any of our 279 depositary banks located in principal cities throughout the country.

Latest published financial statement and list of depositary banks will be mailed upon request.

ADDRESS

Treasurer,
Commercial Investment
Trust Incorporated
1 Park Ave., New York, N. Y.

(CONTINUED FROM PAGE 11)

pleasure to hear. High praise from a man whose daily routine includes listening to many speeches.

*
Congressman THOMAS C. HENNINGS, JR. (Democrat, Missouri) is the son of Judge THOMAS C. HENNINGS, ex-vice-president of the Mercantile-Commerce Bank & Trust Company of St. Louis.

*
W. G. SAXTON, president of the First National Bank, Canton, Ohio, is a first cousin of IDA SAXTON, who was the wife of President McKinley.

*
D. F. RICHARDS is president of the American National Bank of Idaho Falls, Idaho. A branch of this bank is located 230 miles away at Salmon City. The roads are poor and the country mountainous. By auto it was a five-hour trip each way and it generally took a day to rest up and recover from the hard drive. Mr. RICHARDS decided that in this modern age such a waste of time and effort was nothing short of foolishness. With an airplane, he reasoned, Salmon City would be but an hour's hop and the whole state of Idaho would be within easy reach. Moreover, flying both interested and fascinated him as a sport. And so with characteristic forthrightness he set out to learn to fly. His first tutor was an old sourdough pilot with many hours' air experience in Alaska and the Northwest, who proved a most valuable teacher because of his familiarity with flying conditions in mountainous regions. Mr. RICHARDS studied with

him until last January, then completed his education at the Ryan School in San Diego. He finished the course in private flying and in navigation and passed the examinations of the Department of Commerce.

Mr. RICHARDS' new Waco model with a 300 H.P. Jacobs motor has brought him within one and a half hours of such cities as Butte and Salt Lake City.

*
FRANK C. RATHJE, president of both the Chicago City Bank and Trust Co. and the Mutual National Bank of Chicago, is one of those rare individuals who appear to have the capacity of living several lives in the space of one normal lifetime. For many years he has been a member of the unique Adventurers Club. He is a noted big game hunter and, among other exploits, shot a bear in 1928 and a buffalo in 1930. He is as much at home on the water as in the woods and has caught many varieties of game fish. On his 275-acre farm at Palatine, Illinois, he breeds purebred Percheron horses. Among his prize winning Percherons is Cylait 201770, grand champion of the 1932 International. In addition to his other interests Mr. RATHJE is senior member of one of Chicago's leading law firms. He was president of the Illinois Bankers Association in 1936-37 and is a director of the Percheron Horse Association of America.

*
RUSSELL MURPHY, newly elected assistant secretary of the Mississippi Valley Trust Company, St. Louis, was

(CONTINUED ON PAGE 16)

*Accurate as the charting
of a Ship's course —*

**FULTON
CORRESPONDENT
SERVICE**

FULTON NATIONAL
ATLANTA *Bank* GEORGIA



FOOTPRINTS *on the Sands of Time*

The progress, and the goal, of man or institution may be judged by careful study of successive "footprints on the sands of time."

This annual statement is one of the four "footprints" that this institution publishes each year, current and accurate records placed where all may see the direction of our steps and judge our progress across the sands of time.

Statement of Condition, December 31, 1938

RESOURCES

Cash on Hand and in Banks	\$33,341,041.01
U. S. Government Securities	17,400,000.00
State, County and Municipal Securities	32,732,050.76
Other Investment Securities	21,185,993.50
Loans	25,736,539.31
Real Estate Owned	5,975,758.24
Other Assets	3,046,105.60
	<hr/>
	\$139,417,488.42

LIABILITIES

Capital Stock	\$ 6,700,000.00
Surplus	15,000,000.00
Undivided Profits	1,866,232.37
Reserve for Contingencies	825,675.93
Reserve for Interest and Taxes	452,196.99
Other Liabilities	150,159.02
Deposits	114,423,224.11
	<hr/>
	\$139,417,488.42

United States Government obligations and other securities carried at \$18,857,745.49 in the above statement are pledged to secure Government, State and Municipal deposits and for fiduciary purposes as required by law, and to secure Clearing House exchanges.

WILLIAM P. GEST
Chairman of the Board

MARSHALL S. MORGAN
President

J. CALVIN WALLACE
Treasurer

FIDELITY-PHILADELPHIA TRUST COMPANY
135 South Broad Street 325 Chestnut Street

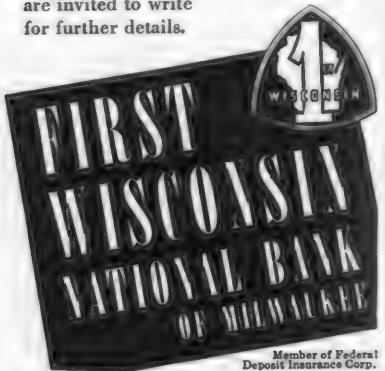
MEMBER FEDERAL RESERVE SYSTEM • MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

UNIQUE



FIRST WISCONSIN C.R.S. PLAN

Here is a truly modern system of statewide banking service . . . co-ordinated and streamlined to meet the Wisconsin needs of national corporations (as well as banks). Based on the fact that over 85 per cent of all Wisconsin banks are First Wisconsin correspondents, the unique C.R.S. Plan assures efficient handling of Wisconsin funds . . . stabilized balances . . . simplified audit control of Wisconsin accounts . . . and prompt, economical collection of Wisconsin items . . . without disturbing established banking connections. Business executives and bank officials are invited to write for further details.



an outstanding athlete while at Yale. In his senior year (1923) he was quarterback on Yale's undefeated eleven. For three years he played second base on the Varsity baseball team. At present Mr. MURPHY is chairman of the Athletic Commission of the State of Missouri. This commission has official charge of boxing and wrestling in the state.

An example of the truth of the statement that "a business is usually the lengthening shadow of one man" may be found in the First National Bank of Pikeville, Kentucky. This institution, now in its 49th year, is largely the shadow of its executive vice-president, John M. Yost.

Among the innovations in the bank is a program for the employees which has been held each morning for five years. Each employee takes his turn as leader of the program for one week.

Employees are well paid and are given exceptional vacation privileges. They are carefully selected, well trained college graduates.

The bank has its own gardens which keep its desks and lobby supplied with flowers. There are cooling drinks for customers and employees, music by organ and radio throughout the day, and a banking room decorated with attractive pictures and works of art.

"SKIP" WRIGHT, the son of John E. Wright, manager of the New Business Department of the Fidelity Trust Company, Pittsburgh, recently turned down overtures from a leading big league team. Young WRIGHT, who as catcher

and captain of the Kenyon College nine, was more interested in a career in aviation than in one on the diamond.

*
It is reported that a bank in Iowa recently lost some customers.

The head of the Ladies' Aid Society, in making a deposit, said to the cashier, "Here's the Aid money."

The cashier, busy with another customer, thought she said, "Here's the egg money", and replied, "It looks like the old hens did pretty good this week."

ALBERT JOURNEYAY

*

Letter to Mr. Journeyay

Dear Al:

I merely want to tell you how interesting this personal section is. I enjoy the sidelights about various men I know. It makes our contacts with these men so much more pleasant.

RALPH M. EASTMAN
Vice-President
State Street Trust Company
Boston, Massachusetts

Accountancy

To the Editor:

. . . . The able executive should have at his disposal the services which only trained engineers and accountants can provide. They rank with legal services as an indispensable link in the set-up necessary not only for earning a profit but also for safeguarding assets.

Would it not be reasonable to find such men, without fear and reservation from executive pressure, functioning to reduce the fatalities of business?

L. E. SCRANNAGE
Industrial Engineer
Cleveland Heights, O.

CONDENSED STATEMENT

FIRST NATIONAL BANK IN ST. LOUIS

At the Close of Business, December 31, 1938

RESOURCES

Loans and Discounts	\$62,855,894.50
United States Government Securities	64,076,661.20
Other Securities Guaranteed by U. S. Government	27,410,458.14
Other Bonds and Stocks	8,421,400.68
Stock in Federal Reserve Bank	405,750.00
Banking House, Improvements, Furniture and Fixtures	615,736.02
Other Real Estate Owned	1,856,776.00
Customers' Liability a/c Letters of Credit, Acceptances, etc.	612,266.36
Accrued Interest Receivable	753,278.42
Overdrafts	7,013.34
Other Resources	5,799.69
Cash and Due from Banks	90,567,642.89
	\$257,588,677.24

LIABILITIES

Capital — Common	\$10,200,000.00
Surplus and Profits	8,282,545.64
Dividend Declared—Payable January 3, 1939 and February 28, 1939	480,000.00
Reserve for Contingencies	500,000.00
Reserve for Taxes, Interest, etc.	270,286.30
Unearned Discount	146,036.76
Liability a/c Letters of Credit, Acceptances, etc.	623,412.01
Individual Deposits	\$118,568,503.53
Savings Deposits	32,782,146.16
Bank Deposits	81,962,321.41
City of St. Louis and Other Public Funds	3,773,425.43
Total Deposits	\$257,086,396.53
	\$257,588,677.24

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

FIRE CONSUMES CURRENT RENTALS



Tongues of hot flame mercilessly engulf the home owned or managed by your bank . . . damage its furnishings . . . drive tenants into the street!

During weeks of rebuilding, the structure cannot be occupied. Other quarters must be sought out and paid for. Rental value of your premises, if uninsured, is lost.

Vitally important is insurance against direct loss by fire, but clearly it is not sufficient to cover the destruction of *invisible* values upon which your bank's income depends.

Bankers today are safeguarding income from unforeseen losses of this nature by having managed or mortgaged properties protected against the indirect damages caused by fire, explosion, windstorm.

Ask an agent of The Home to describe the advantages of Rent Insurance. This useful form reimburses for rent lost while a residence remains untenantable as the result of fire and related hazards . . . thus insuring continuance of income otherwise cut off.

**THE HOME INSURANCE COMPANY
NEW YORK**

FIRE — AUTOMOBILE — MARINE and ALLIED LINES OF INSURANCE

IS YOUR BANK LOSING BY A



Many banks suffer needless losses because investment analyses and investment decisions are made spasmodically. Given active attention infrequently, the investment account pays the penalty of opportunities missed or losses incurred by the delayed decisions of a "Stop and Go" investment policy.

In these uncertain times, management of your bank's bond account should be, more than ever before, a continuous job. For every day something happens somewhere to weaken the intrinsic value of issues you now hold or to make more desirable issues not in your portfolio. Every day you must scrutinize every act of business, finance and government the world over and decide how each day's events will affect the future value of each issue in your bank's investment account.

The size of the staff required at Moody's merely to gather, sift and analyze each day's news indicates the futility of the task as a one-man-job for any one man. Here at Moody's are scores of men whose whole time is devoted to studying monetary conditions, business statistics, governmental policies or just one type of security.

When your bank subscribes to Moody's Bank Supervisory Service these men will be watching and weighing the future value of each issue your bank owns. Their finding will be focused on your bank's investment problem thru a Personal Counselor who keeps continuously informed on your needs for safety, diversification and income.

Why not investigate how helpful Moody's Bank Supervisory Service can be—and at what modest cost? Your inquiry will involve no obligation.

MOODY'S INVESTORS SERVICE

JOHN MOODY, *President*

65 BROADWAY, NEW YORK CITY
105 WEST ADAMS STREET, CHICAGO



BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

FEBRUARY
1939

Real Audits

By E. S. WOOLLEY

The author, a well known bank analyst with the Geo. S. May Co., is a frequent writer for BANKING.

WE hereby certify that we have audited the books and accounts of John Jones Company for the year ended December 31, 1938, and that subject to (1) our verification of the inventories being limited to test checks of inventory sheets submitted for our inspection, and (2) we did not directly correspond with any of the Accounts Receivable, we are of the opinion that the attached Balance Sheet and related income and Profit and Loss Account accurately set forth the financial position of the company as at December 31, 1938, and the result of operations for the year ended with that date."

*

WHILE the phraseology may differ, this, in effect, is the statement that will be appended to many an audit report submitted by borrowers to banks within the next few months. And many a loan will be made or renewed on the strength of such a statement. Just what does it really mean to a bank's credit department?

The majority of balance sheet loans made to business are predicated, to a large extent, on the current assets of that business. These current assets are cash, receivables and inventories. Even in the case of a company with a strong cash position the sum of the receivables and inventories will be ten times the amount of the cash and in the majority of cases even more.

If the company had sufficient cash for its requirements it would not need to borrow. It borrows only because it needs cash. Likewise, it will need cash to repay those borrowings. Ordinarily this means that the inventories must be turned into receivables and the receivables into cash before those commitments can be met.

For this reason, the receivables and inventories are about the most important items on the balance sheet. Merely to compute the ratio of current assets to current liabilities will be meaningless if the amounts shown for 90 per cent of such current assets do not represent real values.

True, there are other ratios, such as receivables to sales, gross profit comparisons, etc., which will indicate to some extent the accuracy of the figures. The difficulty is that these are merely indicative and not accurate. They can be adjusted

on the books so as to defy detection without a complete checking of every transaction. Such a procedure is not practical under ordinary conditions. And when the conditions have become extraordinary, the damage has been done.

A case in point is the published annual statement for 1937 of the large company whose difficulties caused such a sensation recently. The operating statement of the company showed a gross profit to sales of 14.95 per cent for the year 1937 as compared with a gross profit of 15.03 per cent for 1936—a difference of only eight one-hundredths of 1 per cent, while volume increased 13 per cent.

Certainly there was nothing here that would even suggest that the inventories were being inflated or tampered with in any way. Yet they were being carried on the balance sheet at a figure very considerably in excess of their value.

It is true that it takes deliberate planning to accomplish such a falsification of figures, and that such planning is not only exceptional but rare. The average American business man is honest. Perhaps this is one reason why there is such a readiness to accept statements at their face value.

FORESTALLING DISHONESTY

YET, because these instances do keep cropping up from time to time, means must be devised to control and reduce them. While it is conceded that "Any law that man can make, man can also break", it is just as true that man can make the breaking of them so difficult, and the detection so easy, as to keep their violations to an irreducible minimum. Certainly this is true with financial statements, particularly where such statements have been prepared by competent independent auditors permitted to satisfy themselves of the accuracy of every figure shown on those statements.

As far as competency goes, the various states have enacted laws to test the theoretical knowledge of those whom they permit to practice the profession of accountancy. This test, however, extends only to individuals and not to organizations.

To meet the demands of large business with branches scattered from coast to coast, national accounting firms have been organized. In such firms only a small minority of the individuals have received any authority from the states. The rest are staff members, by whom, however, most of the actual work is done.

With small firms constant supervision can be given to such

staff members by the qualified principals. A system of correspondents can be arranged in different locations to audit branches of national corporations. That presents no insurmountable difficulty.

Particularly would this be true if the "natural year" were more generally adopted by industry in place of the calendar year. This calendar year not only causes a "rush period" during which pressure of work among accountants reduces supervision to a minimum, but it also forces the addition of many temporary staff members with but few qualifications. Furthermore, business itself gains in many ways from such a change.

The independence of the accountants, of course, can scarcely be assured so long as their services are contracted for by the persons for whom they are auditing. An officer of a corporation should have nothing to say regarding the engagement of the auditor. In the cases of corporations with large scattered stockholdings, probably election by the stockholders might suffice. In cases of closed corporations, the creditors should be entitled to a voice in the selection of auditors. At least, they should meet with the approval of the bank where the bank is lending on the strength of the statements to be issued.

In any event, practicing accountants should be compelled to place a bond with the state for the faithful performance of duty, the size of the bond depending upon the size of the practice. This, of course could be gauged by the fees earned during the preceding year. Such a bond would be called upon to pay in only a very small minority of cases. Pride in the accuracy of their work is sufficient bond to most accountants. Nevertheless, human nature being what it is, the weaknesses of that small minority must be guarded against.

ACCOUNTANTS AND INVENTORIES

IT is a favorite alibi with many that accountants cannot evaluate an inventory. It has been used so extensively that possibly some have even come to believe it themselves. Nothing is further from the truth. The accepted basis of inventory valuation is "cost or market, whichever is lower". Is there really any accountant worthy of the name who does not know that he can prove or establish, if need be, the lower of these two prices on any article of merchandise manufactured or in process today? Certainly not.

Invoices are always available for merchandise or material purchased. Even in those cases where the company itself does not have them, they can always be procured from the sources of supply. And as far as examining the physical inventory is concerned, it can be examined if it can be found, for accountants have eyes. It can also be counted, for accountants can add. And there is nothing to inventories but quantities, conditions and prices.

The taking of any kind of inventory presents no problem to the qualified accountant other than that involved in the expense. Naturally, accountants have to eat and pay their grocery bills, and all they have to sell is their services. If, therefore, clients will not pay for the accountant's time for supervising the taking of inventories, he can not afford to do so.

This is also a principal reason why accounts receivable are not verified very often. All accountants know that the mere reconciliation between the subsidiary accounts receivable ledgers and the general ledger control means very little. A thousand things could be wrong and those two figures could agree. Every sales invoice and every payment can be checked to the individual accounts and still the amount can be over-

stated. Sales and shipping invoices can be prepared without the merchandise being shipped. Consigned goods can be entered as actual sales. Payments can be received but not entered on the books. There are many ways in which a person who deliberately sets out to do so can overstate or understate accounts.

But the chances of anyone's acknowledging debt he does not owe are very much less likely. This requires collusion between the apparent customer and someone in the company. Direct communication with the customer is the only way in which accountants can certify to the accuracy of the accounts receivable. This would even detect collusion in most cases. When things are not as they should be there is always something that shows up to indicate it if the work proceeds far enough.

But it costs money to do this, and this money is not going to be spent so long as those most interested in the accuracy of the statements are indifferent to the value of the proper verification of all items shown thereon.

MANAGEMENT'S CONCERN

ACTIVE management is not concerned with such verification, usually believing that the accounts are correct anyway. Furthermore, management objects to auditors communicating with the customers, not only because of the expense involved but often, also, because it is felt that such a communication may disturb the relationship with customers. Actually, it does nothing of the sort. Many times the request for verification by outside auditors has resulted in old accounts being paid.

But those excuses will continue to be made until sufficient pressure is exerted by outside interests. As representatives of outside interests, banks are in a peculiarly advantageous position to inaugurate such measures.

Short term paper is primarily based on the collectibility of the accounts and the valuation of the inventories. It is only secondarily interested in the plant and equipment. If then, bankers take the stand that they do not need any verification of such items, who is there left to demand that such a step be taken?

Banks have more balance sheets in their credit files purporting to secure their interests in different concerns than has any other class of business in the country. Therefore, just as long as they content themselves with limited audits, just so long will these limited audits continue.

THE BANKS' INTEREST

BANKS are vitally interested in reducing losses on loans. No banker knowingly makes bad loans. A bad loan is a good loan gone bad or one on which all the facts were not presented at the time it was made. No banker is in possession of all the facts when there is any doubt about the valuation of two such important balance sheet items as inventories and receivables.

The only reason that losses to banks have not been greater is that the average business man is inherently an honest person.

But the dishonest ones do keep cropping up every so often, and the only way that banks can protect themselves is by insisting that the audited statements presented to them be really audited, and that the accountants preparing them can be held responsible for their accuracy.

In no other way can banks hold their losses to a minimum and in no other way can public confidence in auditors' reports be restored.

John Sherman's Great Era

By ALBERT W. ATWOOD

MR. ATWOOD is a resident of Washington, D. C., and a frequent contributor to BANKING

PERHAPS no American has been associated with more great events over a long period of time than John Sherman. Almost continuously for nearly half a century he successively filled such offices as Representative in Congress, Chairman of the Ways and Means Committee, United States Senator, Chairman of the powerful Senate Finance Committee, Secretary of the Treasury and Secretary of State. From 1855, before the Civil War, to 1898, at the beginning of the modern era, he played a part in nearly all the foremost events of his time, and was the central figure in a considerable number.

But John Sherman was the very embodiment of the character and temper of his times. His biography is almost a history of the period. As Senator Hoar said after Sherman's death, he represented the limitations as well as the accomplishments of the people around him. No man was more closely associated with the wonderful material development of the country, which was the leading feature of the half century in which he was active. He was an extremely industrious man, with powers of intense concentration, much common sense and an extraordinary efficiency upon occasion.

John Sherman was born at Lancaster, Ohio, May 10, 1823, an eighth child and a younger brother of General William Tecumseh Sherman. Throughout life the two brothers were bound by close ties of mutual understanding and affection. John Sherman took the Civil War very seriously from the first, never expecting an easy Union victory, partly but not entirely because of the views of his distinguished military brother, who was a pessimist until after the fall of Vicksburg.

The two brothers, however, were very different. The General was emotional, impulsive, very sociable and profuse in expenditures. John Sherman, on the other hand, except in early boyhood, was impassive, unexcitable, not especially sociable, with none of his brother's great affability. He was grave of mien, thrifty, careful and successful enough to leave an estate of \$2,000,000 when he died.

HIS BACKGROUND

BUT there was certainly no estate when he started life. His ancestors were of English stock, having a fine record for honorable usefulness in the New England colonies and states. Other descendants of a common ancestor were George F. Hoar, William M. Evarts and Chauncey M. Depew. In his *Recollections* John Sherman says that his ancestors could claim no superior rank or ability, but he was evidently and quite properly proud of them all the same.

The father was a promising lawyer and had risen to the state supreme court of Ohio but died so young that the children had to be scattered around among relatives. John did not take to schooling, and in fact was expelled from school for putting a dead sheep on his teacher's desk. He had a brief success when only 16 as a sort of junior superintendent, with

numerous men under him, on a Muskingum River development, thus showing executive ability at an early age.

But political changes in the state caused him to lose his job. For a time he roistered about, getting drunk and being generally irresponsible. In his *Recollections* he remarks that no reform equals the decline in drinking which began in 1841. He soon pulled himself together, studied law, practiced successfully, made a competence within ten years in real estate, lumber and the like, and was elected to Congress in 1854.

Sherman became absorbed early in his career in concrete problems of finance and commerce; he had a mathematical mind and until the end of his long life kept near him a complete set of surveyor's instruments. He always had ability in handling business deals, did well with his Ohio farm and throughout life made careful and fortunate investments, including very large ones in real estate in the suburbs of Washington.

A CONSERVATIVE AND A COMPROMISER

SHERMAN'S speeches were full of facts and figures. For years as chairman of the Senate Finance Committee he made elaborate statements on the financial condition of the country. He wanted all legislation to be practical, and was opposed to theoretical declarations. A naturally hot temper was early overlaid with a very cautious reserve. Although fundamentally a conservative and favorable to the creditor and sound money rather than to the radical free silver and debtor classes, he was instrumental in bringing about much compromise legislation on these points. In fact Alexander Dana Noyes in *Forty Years of American Finance* says of him:

"As a legislator he belonged to the school of compromisers who have indirectly been responsible, in a score of critical emergencies, for the gravest mischief in our history."

This is not the place to pass on such a severe stricture; one must read to the end to form an opinion of Sherman. During the Civil War he was never an extreme anti-slavery man, and the Abolitionists criticized him. Yet he was a strongly partisan Republican, and played only a somewhat less important part in the political and military than in the financial phases of the war.

In 1861 he was elected to the Senate and later became chairman of the Finance Committee. Whether his most important work was done in the Senate from 1861 to 1877 or as Secretary of the Treasury from 1877 to 1881 is difficult to say.

During his second period in the Senate from 1881 to 1897 he was less important, because new leaders, such as Aldrich, Hale, Platt and Spooner, were leaving him out of the inner circle. On the other hand he fathered the Sherman Anti-Trust Law and the Silver Purchase Act, and both have proved enormously important. Finally in his old age, in 1897-8, as Secretary of State, he was more or less a failure.

But now we must come to the various significant financial measures, or at least a few of them, with which Sherman's name is so closely associated. During the Civil War he helped

Secretary Chase to plan the national banking system and also the issues of legal tender notes, or greenbacks, in which Sherman recognized the danger of inflation. There was, however, no other way of financing the war.

After the war he opposed Secretary of the Treasury McCulloch's plan for contracting the currency and for an almost immediate resumption of specie payments, although at various times he had apparently favored both measures. In one respect John Sherman seems to have been fairly consistent through his entire career; he always insisted that, because of the burden of Civil War debt, the Government should pay the lowest interest possible, and McCulloch's plan, with all its obvious merits, involved heavy interest payments, right on top of the war.

To pass upon the rights and wrongs of this extremely disputed chapter in American financial history is very difficult. Mr. Noyes in his authoritative work insists that so eager was Sherman, in the initial currency debate of 1866, to fix upon a middle ground that he "played directly and effectively into the hands of the opponents of resumption."

On the other hand Senator Hoar in his eulogy at the time of John Sherman's death says that while Sherman "bowed a little to the popular storm in time of fiat money perhaps if he hadn't his party would have been uprooted by one which would have paid the debts in fiat money."

THE SPECIE RESUMPTION

AS Secretary of the Treasury Sherman showed a great change in attitude. His native ability for skillful management found full employment. He paid no attention to inflationary outcries, even though the people were discouraged by years of depression and business failures. He persuaded skeptical bankers that Government bonds would be paid in gold, and finally handled in masterly fashion the resumption of specie payments, although many years after McCulloch thought it should be done. To quote Mr. Noyes again:

"Mr. Sherman was not the first of public men to show that the faults or weaknesses of a legislator, whose purpose is to obtain enactment of a policy, will sometimes disappear in the administrator, who presses settled policies into execution. As Secretary he was unwavering in pursuit of the resumption goal; practical, resolute, and adroit in the means employed."

Sherman was especially successful in selling Government bonds, playing New York and London banking syndicates against each other, always keeping mastery of the situation, showing a cool head and an experienced hand. Not only did he get everything he could out of the bankers for the Government, but he made large sales direct to investors.

John Sherman's inconsistencies and compromises, especially on monetary questions, will no doubt remain one of the mysteries of American history. Mr. Noyes insists that he always compromised at the wrong time. Rather unjustly his name was given to the Silver Purchase Act of 1890, but it was the result of his method of legislative compromise by which a thoroughly bad principle, known to be bad by the compromisers, is adopted to prevent an even more vicious form of the same thing.

Sherman managed somehow to remain in public life a very long time indeed, being elected over and over again, even when his state was otherwise Democratic. In the sense of having his ear to the ground, of knowing just how far, or rather how short a distance, public opinion would support a sound policy, he was very astute.

John Sherman held public office through many depressions, and, always being engaged, as he was, in compromising

the hard money creditor leanings of the Atlantic seaboard with the soft money debtor theories of the Middle West, it is no wonder that he wavered at times. On the other hand no man ever denounced the fallacies of inflation more effectively than he. Once answering the argument that more money was needed he said:

"In the sense that money means capital we all want more. In the sense that money is used as a mere medium of exchange, to measure value, to pass from hand to hand, to facilitate commercial transactions, the only test of the amount necessary is the amount that can be maintained at a specie standard."

At a speech in Toledo he was jeered and insulted as being a tool of the capitalists and responsible for all the failures in the Middle West, but he silenced his accusers by saying that he was trying not only to get all the coin in circulation he could but that he wanted it to have value and stability.

AGAINST FREE SILVER COINAGE

FACED with the hoary old fallacy, frequently revived in recent years, that the Government does not need to pay interest on bonds since it can print all the money it requires, he replied succinctly that public faith alone is not enough to maintain a paper currency, that there must be a combination between the Government and private individuals.

As for the free coinage of silver or the printing of paper money, without backing, he curiously anticipated Rooseveltian theory and practice, when he said that "if we must have a cheaper dollar it is better to boldly reduce the number of grains in the gold dollar." Many times he argued against the free coinage of silver on the ground that the standard of value would become the cheaper one.

Very little need be told about Sherman's two years as Secretary of State. President McKinley appointed him to make a vacant Senate seat for Hanna. He began to lose his memory and was unequal to the strain of the Cuban problem. Negotiations were taken out of his hands and given to the Assistant Secretary of State, William R. Day. When Sherman discovered that Day was being invited to Cabinet meetings and that the country was about to break with Spain he resigned.

HIS POLITICAL LIABILITY

SHERMAN'S three attempts to win the Republican nomination for President constitute an interesting and rather pathetic story. Because of his great services as Secretary of the Treasury he felt that his party and the business class in general owed him the nomination and election in 1880. But he lacked magnetism and appeal, and, while an astute politician, he did not know how to build up an organization, although curiously enough the political expression of going home to "mend his fences" originated with him, possibly in a wholly innocent way as applying to his Mansfield farm.

Senator Burton says that Sherman was not nominated because he was never identified with issues of a sentimental nature, which are the ones that sway the multitude.

Sherman's last few years were sad. Although a cold man, without gush or impulse, he was kind, forbearing and did not bear malice. His married life was ideal, and he survived his wife's death in the Summer of 1900 by only a few months.

John Sherman had many of the obvious faults of the politician. But his practical common sense, his untiring industry in mastering the details of economic and financial problems, his integrity, and his unquestioned devotion to the material progress of the whole country can never be lightly set aside.



T. F. HEALY COLLECTION

A meeting of President Hayes' cabinet in 1879. *Left to right*, the President; John Sherman, Secretary of the Treasury; R. W. Thompson, Secretary of the Navy; Charles Devens, Attorney-General; (in foreground) William M. Evarts, Secretary of State; (under portrait) Carl Schurz, Secretary of the Interior; George W. McCrary, Secretary of War; David M. Key, Postmaster-General

Below, left, an anti-Sherman cartoon of 1879. The Secretary is supposed to be saying: "Certainly, if I appear to others as I do to myself, I am without doubt the very biggest man in the country."

Below, right, a picture of Mr. Sherman near the end of his long public career



T. F. HEALY COLLECTION



CULVER SERVICE

Personnel Score Keeping

By J. STANLEY BROWN

The author is Personnel Director, Chemical Bank & Trust Co., New York.

ONE result of current interest in personnel and personnel methods is a deluge of inquiries regarding what is perhaps euphemistically known as the personnel audit. As an indication of interest in better methods, these inquiries are distinctly heartening; to the extent that they reflect a desire to mechanize the personnel function, they are the opposite of encouraging.

Probably there can be no disagreement with the viewpoint that personnel assets and liabilities should be checked and balanced as frequently as any other item of organization. This writer disagrees only with the tendency to reduce to a mechanical process this audit of human values.

Presumably we are all agreed that use of a "rating sheet" is entirely a mechanical process. The reporting supervisor checks "good", "bad" or "indifferent" against each of the factors previously decided as important to the audit—checks them, files them, and too often breathes a sigh of relief that the job is out of the way for another six months or more.

As one of the pioneers in the efficiency rating of clerical workers, the present writer is convinced that the rating sheet is but a means to an end; it constitutes no end in itself. It is one of several tools to be used in a general evaluation of personnel, not a complete antidote for any particular evil. Just as a hammer is a valuable tool in the hands of a carpenter, so the rating sheet is valuable in the hands of a skilled workman. But you can no more build a sound personnel administration by use of rating sheet alone than you could build a house with only a hammer.

One serious liability of the rating sheet is the supervisor's entirely natural dislike for it. There is something in the human mind which shies away from consideration of the intangible. And human values are nothing if not intangible. This tendency can be overcome if supervisors understand that their ratings of employees are to constitute but one of several factors in management's judgment of those employees. It will help, too, if management demonstrates a real understanding of the human difficulty that confronts the supervisor as he attempts to reduce the qualifications of other human beings to a lifeless, permanently embalmed graph or ratio.

To be concrete, suppose 18-year-old John Doe is finishing his first three months in your bank. He has spent those three months in the messenger department, and his three months' rating has been duly reported by the head messenger as 95, —or, perhaps, 55. That rating, high or low, represents little more than snap judgment on the part of the supervisor. The low rating may be correct; but the personnel officer should no more accept it as final than a loan officer should accept as final someone's report that so-and-so corporation is headed for the rocks.

Of course, the high rating is almost certainly too high.

There are very few perfect employees in any organization; a few, but the odds are all against any single rating over 90 (on a scale of 100).

Your rating sheet will be the more quickly accepted by your supervisors, will consequently be more valuable in its application, if it is kept simple and short. Some rating sheets are sufficiently involved to vex the patience of any reasonable human being. After all, the qualifications demanded of your employees—even those of the "ultra" classifications—are few in number. You are interested in accuracy (knowledge of work), speed (quantity of work), general attitude (toward the job, the employer, other employees, and toward the customer; however, in general, if a fellow's attitude is wrong toward one, it will be just as wrong toward all the others). You may be interested in such factors as personality and capacity for development; or you may not be interested, for reasons which will be considered a little later. The point here is that you ought not to ask the average supervisor in his ratings to distinguish between, for instance, "initiative" and "aggressiveness", or between "judgment" and "intelligence". He can't do it anyway; and if you ask him to try, you merely confuse him and probably lose his cooperation.

TWO GROUPINGS

NOW, a word about the danger of lumping all employees into one rating-pot. It ought not to be done; it simply cannot be done with satisfactory results. Until human nature changes, there will always be two broad groupings: first, those whose ambition and training will eventually carry them out of the ranks; second, those who accept routine as their appointed fate and struggle for no other.

Those in the latter group are the ones who honestly and proudly do the major portion of this world's work; no large organization can possibly get along without them. But to measure their value with such yardsticks as "personality" or "capacity for development" constitutes the acme of futility. The plain, unvarnished—and not at all brutal—truth is that the bookkeeper who wants always to remain a bookkeeper is just as valuable to his organization when his rating is "minus" on personality as he is when it is "plus".

Having obtained intelligent supervisory cooperation in rating, the personnel manager must decide what to do with ratings when he gets them. My own conviction is that less than three ratings of any given employee are valueless.

The third rating, taken in conjunction with the previous two, ought to serve as a satisfactory indicator. Furthermore, of course, three ratings from one supervisor are less valuable than the composite evidence of three different supervisors.

Evidence—that is the word. These cold figures are merely evidence, to be used in conjunction with other evidence in the building of a case for or against the subject.

They can be filed and forgotten, or they can be used, in conjunction with humane, sound common-sense, to make a business organization really a better place in which to work.

Some Tax Facts

By HERBERT M. BRATTER

MR. BRATTER is a Washington writer on economic and financial matters.

THE approach of the income tax date has caused the usual interest among banks in recent Treasury decisions, Bureau of Internal Revenue rulings, and the like with reference to the tax liability of banks and trust companies, the responsibilities and duties of receivers and conservators, et cetera. The passage of a new revenue act in 1938, for which regulations have not yet been issued; the changes in income tax forms; the new system of computing capital gains and losses for 1938, and the decentralization of the income tax administration under way during the past year all present new features to the taxpayer.

A review here of some of the chief points of interest at this time will probably be helpful to bank and trust company officers charged with the duty of filing income tax returns. The following notes are based on conversations with Treasury officials and with the best available Government material on the subject. Those interested in greater detail are referred to the following publications:

The Revenue Act of 1938 (public—No. 554—75th Congress—Chapter 289—3d Session—H. R. 9682) obtainable from the Documents Room, House of Representatives.

Senate Report No. 1567; House Report No. 1860; Senate Conference Report (Document No. 177) Revenue Bill of 1938; all three of the 75th Congress, 3d Session, and all obtainable from the Documents Room, U. S. Senate.

Internal Revenue Bulletin, Cumulative Bulletin 1937—1 (60¢), 1937—2 (50¢), 1938—1 (60¢), and later bulletins available separately, as issued, at \$2 a year or 5¢ a copy. All are obtainable from the Superintendent of Documents, Government Printing Office, Washington. A bulletin of special interest in connection with section 818 of the Revenue Act of 1938 is No. 40 of October 3, 1938.

Regulations 79 (1936 edition) relating to Gift Tax. This bulletin is sold by the Superintendent of Documents at 10¢ per copy.

Regulations 94 Income Tax, Revenue Act of 1936, sold by the Superintendent of Documents at 40¢. In the absence of regulations governing the 1938 act, the old regulations are still of value to banks.

CHANGES IN INCOME TAX FORMS

AS announced in December, the Treasury has introduced various changes in the income tax forms for the taxable year 1938. Forms are now folded at the top, for easier handling in typing copies. Fiduciary and partnership forms 1041 and 1065, respectively, have undergone considerable change. These forms, while printed on paper of the same color as in 1937, have been changed from large, single sheets, to four-page forms, 8½ by 11 inches, folded at the top and corresponding in size to the new individual income tax return Form 1040. The two major changes in contents involve the capital gains schedule, necessitated by the Revenue Act of 1938, and the schedule of distributive shares of the beneficiaries and partners. The schedule, on both forms, has been broadened to facilitate computation by the fiduciary or partnership of the various types of income flowing to the respective beneficiaries and partnership members.

All banks—national, state, private, savings and joint stock land banks—are required to file their returns on Form 1120 for corporations. For estates and trusts, Form 1041 is provided. Each is accompanied by a separate 4-page instruction sheet.

RATE OF TAX ON BANKS INCREASED

THE 1938 Act (Section 14) increases the tax rate on banks to 16½ per cent of adjusted net income minus the credit for dividends received provided in Section 26(b). A "bank", as defined in Section 104, is

... a bank or trust company incorporated and doing business under the laws of the United States (including laws relating to the District of Columbia), of any State, or of any Territory, a substantial part of the business of which consists of receiving deposits and making loans and discounts, or of exercising fiduciary powers similar to those permitted to national banks under section 11(k) of the Federal Reserve Act, as amended, and which is subject by law to supervision and examination by State, Territorial, or Federal authority having supervision over banking institutions.

"Credit for dividend" as worded in Section 26(b) refers to the allowance of credit of

... 85 per centum of the amount received as dividends from a domestic corporation which is subject to taxation under this title, but not in excess of 85 per centum of the adjusted net income. The credit allowed by this subsection shall not be allowed in respect of dividends received from a corporation organized under the China Trade Act, 1922, or from a corporation which under section 251 is taxable only on its gross income from sources within the United States by reason of its receiving a large percentage of its gross income from sources within a possession of the United States.

BAD DEBT DEDUCTIONS

IN considering the deductibility of bad debts, bankers should draw a distinction between the standards used by bank examiners and those applied by the Bureau of Internal Revenue. A bank examiner may consider a given security worthless for portfolio purposes, but this is not necessarily acceptable evidence of its deductibility as a bad debt. An examiner's opinions are conclusively presumed for income tax purposes. [Art. 23(k)—1 Reg. 94.]

Treasury Decision 4633 of 1936 relating to charge-offs of debts ordered by F.D.I.C. examiners is clarified by the Chief Counsel's memorandum G.C.M. 18354.¹ Treasury Decision 4633 provides that where banks or other corporations subject to Federal or similar State supervision, in obedience to specific orders of supervisory officers charge off debts in whole or in part, such debts shall be conclusively presumed, for income tax purposes, to be worthless or recoverable only in part, as the case may be, so long as it can be demonstrated that the charge-off took place during the taxable year. G.C.M. 18354 announced that the F.D.I.C. was a Federal supervisory agency coming within the scope of the above-mentioned Treasury Decision.

¹ *Internal Revenue Bulletin, Cumulative Bulletin, 1937—1*, pp. 79-80.

Note the word "specific". This is interpreted literally by the Bureau of Internal Revenue.

Further and detailed interpretation of the deductability of banks' bad debts from gross income is to be found in G.C.M. 18525,² which bankers concerned should examine in full. That memorandum observes that the language of the statute relating to *partially* worthless debts does not require the taxpayer to claim such partial worthlessness as a deduction in any particular year. It merely provides that the Commissioner may allow as a deduction such partial worthlessness in an amount not in excess of the part charged off within the taxable year. Treasury Decision 4633 must be applied in the light of such controlling statutory provision; and it must, moreover, be construed in connection with the general regulations governing bad debts.

Ascertainment of worthlessness as a result of bank examiner's order must be followed by charging-off of the debt to make the latter eligible for deduction. Deduction for total or partial worthlessness may be taken only in the taxable year in which occur both ascertainment and charge-off. Charge-off is essential. Where charge-off of partial worthlessness is postponed to a later year and worthlessness is then ascertained in a greater amount than originally ascertained, the Commissioner may allow the deduction of the full amount of worthlessness ascertained and charged-off in such later taxable year.

If a debt has been once ascertained as worthless in whole or part, but not allowed as a deduction, amounts subsequently collected on account of such debt are not required to be included in gross income for the taxable year of such receipt.

In applying these and other features of Treasury Decision 4633 and the memoranda here cited, bankers should note that T.D. 4633 can operate only as a construction or application of a controlling statute, and that it must be read in the light of the statutory provisions it seeks to interpret in the application thereof to specific cases. T.D. 4633 can in no way supersede the statute to which it applies.

During 1938 paragraph (g) of G.C.M. 18525 was clarified by a ruling (I.T. 3172) which in effect holds that when in a given year more than one bad debt is charged against gross income, the latter is regarded as offset by each such bad debt in proportion to the amount deducted on account of each. This ruling acquires significance in cases where partial or complete recoveries are later made. This case is made clear by an example given by the Treasury.³

CAPITAL LOSSES

FOR all taxpayers losses from sales or exchanges of capital assets such as securities or real estate are allowed as deductions only to the extent of \$2,000 plus the gains from such sales and exchanges. However, in the cases of banks and trust companies, a substantial part of whose business is receiving deposits, this limitation is subject to the modification provided in section 117(d), which exempts from the \$2,000 limit losses on securities sold, "except such portion of the loss as does not exceed the amount, if any, by which the adjusted basis of such instrument exceeds the par or face value thereof."⁴

² *Internal Revenue Bulletin, Cumulative Bulletin, 1937—1*, pp. 80-3.

³ For the example, see *Internal Revenue Bulletin, Cumulative Bulletin, 1938—1*, pp. 151-2.

⁴ *Regulations 94, Income Tax, Revenue Act of 1936*, p. 278.

DEDUCTION OF DIVIDENDS

A QUESTION on this subject has been ruled on by the Bureau of Internal Revenue (G.C.M. 18676).⁵ The revenue act provides that dividends paid by banks on preferred stock held by the United States or an instrumentality thereof pursuant to section 121 of the Revenue Act of 1938 are deductible only to the extent actually or constructively paid during the taxable year. The question raised was whether this deduction was allowable for such dividends accrued, or only for those actually paid. The memorandum (18676) states that actual payment is necessary, except where there has been constructive payment, that is, where the dividend has been declared and has been made unqualifiedly subject to the demand of the stockholder.

CERTAIN DIVIDENDS AND INTEREST

A BUREAU of Internal Revenue ruling (I.T. 3101),⁶ made in 1937 and still effective, holds that there is no provision in the Federal Farm Loan Act (39 Stat. 360) as amended and supplemented, or in the Revenue Act of 1936, under which the promissory notes of Federal land banks, Federal intermediate credit banks, national farm loan associations, banks for cooperatives, and production credit corporations and associations become instrumentalities of the Government or the interest paid upon the loans covered by such notes is otherwise given a tax-exempt status. Article 22(b) (4)—2 of Regulations 94 of the Revenue Act of 1936 is not applicable to such interest. This ruling is in no way affected by the Revenue Act of 1938.

INFORMATION AT SOURCE; MUTUAL SAVINGS

UNDER the law mutual savings banks are exempt from Federal income tax under Section 101 of the Revenue Act of 1938. Congress has limited the exemption of mutual savings banks to that type of institution not having a capital stock represented by shares which participate in the profits to the exclusion of the depositors, but whose earnings, less only the expenses of operation, are divided wholly among the depositors.

The Bureau of Internal Revenue holds (I.T. 3076)⁷ that, while mutual savings banks are exempt from Federal income tax, they must file information returns relating to interest payments. Within the meaning of the Revenue Act of 1938 a mutual savings bank has no capital stock or stockholders and distributions made by such a bank on the basis of the amounts standing to the credit of depositors constitute interest, not dividends.

RETURNS BY RECEIVERS

RECEIVERS and conservators of national banks must file Federal income tax returns for such banks, but in lieu of reporting income and deductions they may attach to the return an affidavit stating that the bank's assets, including all amounts expected to be realized from assessments against stockholders, will be insufficient to pay depositors in full. If the receivers or conservators are unable to subscribe to such a statement, they must report all income and deductions applicable, the statute provides.

With reference to national banks which do hold assets sufficient to pay depositors in full and therefore do not fall

⁵ *Internal Revenue Bulletin, Cumulative Bulletin, 1937—2*, p. 140.

⁶ *Internal Revenue Bulletin, Cumulative Bulletin, 1937—2*, pp. 63-4.

⁷ *Internal Revenue Bulletin, Cumulative Bulletin, 1937—1*, pp. 116-7.

within the purview of Section 22 of the Act of March 1, 1879 (20 Stat., 351), a special ruling of the Bureau of Internal Revenue applies (I.T. 3080).⁸

While it has been contended that a receiver of an insolvent bank is not operating the business of the banking association and that, therefore, the activities do not result in taxable income, the Government has ruled to the contrary. Any tax due from a national bank operating under a receiver or conservator must be paid by such receiver or conservator, just as if he were an officer of the corporation. This principle has been uniformly provided by Federal income tax regulations, and is contained in the Bank Conservation Act of March 9, 1933 (Section 203). The only exception is that where an affidavit as described above is filed.

TAXATION OF INSOLVENT BANKS

BY the Revenue Act of 1938 the statutes relating to Federal taxation of insolvent banks were liberalized in Section 818. This section constitutes the latest amendment to Section 22 of the Act of March 1, 1879 (20 Stat. 351; 12 U.S.C. 570). As of this writing, there has been only one Bureau of Internal Revenue ruling⁹ relating to this section.

Under Section 818, trust companies and banks, state and national, all now receive equal treatment. The law as amended provides tax exemption with respect to assets held for all creditors and the payment of depositors. The exemption does not apply, however, unless a substantial portion of the business of the institution concerned consists of receiving deposits and making loans and discounts. Moreover, Section 818 makes the exemption conditional in that it provides for reassessment and collection of remitted taxes where subsequent developments make it possible for the taxes to be paid without diminishing the assets necessary for payment of depositors. The other principal provision of Section 818 relates to suspension of the statute of limitations.¹⁰

Section 22 of the Act of March 1, 1879, provided for the abatement and remission of taxes of banks having ceased to do business by reason of insolvency or bankruptcy, if the collection of such taxes would diminish the assets thereof necessary for the payment of depositors. The 1938 amendment extended like treatment to trust companies engaged in the banking business, and to arrangements whereby such insolvent banks and trust companies are restored to solvency and enabled to continue business through the waiver by depositors of part of their claims and their acceptance in lieu thereof of liens against future earnings, or claims against future assets, segregated from the other assets of the concern, and held for liquidation either by such bank or trust company or by a trustee or other fiduciary (whether or not created or designated solely for this purpose) to whom transfer has been made.

The 1938 amendment also provided that a tax which, under the provisions of Section 818, has been thus refunded or abated, or which, under the section before or after amendment, may not be assessed or collected, may at a later date be assessed, or reassessed, and collected, whenever collection will not diminish the assets necessary for the payment of depositors.

⁸ Internal Revenue Bulletin, Cumulative Bulletin, 1937-1, pp. 96-7.

⁹ 1938-40-9561—I. T. 3219 published in Internal Revenue Bulletin No. 40, October 3, 1938.

¹⁰ 75th Congress, 3d Session, Senate, Report No. 1567, Revenue Bill of 1938 (Calendar No. 1636) Report [to accompany H. R. 9682], pp. 47-8.

A suspension of the running of the statute of limitations is provided for during the time assessment or collection is barred.

The tax exemption granted, by the specific language of Section 818, does not apply to any tax imposed by the Social Security Act.

The single ruling of the Bureau of Internal Revenue bearing on Section 818, as referred to above, has to do with the tax status of a wholly-owned subsidiary of a trust company itself coming within the scope of the amended Section 22 of the 1879 act. In studying this ruling attention is invited to the Bureau's caution that rulings other than Treasury Decisions have none of the force or effect of Treasury Decisions and do not commit the Department to any interpretation of the law which has not been formally approved and promulgated by the Secretary of the Treasury.

GIFT TAX

FOR computing the gift tax, the table published by the Bureau of Internal Revenue on p. 12 of *Regulations 79 (1936 Edition)* relating to *Gift Tax under the Revenue Act of 1932*, etc., still applies. This bulletin may be obtained for 10 cents from the Superintendent of Documents, Washington.

The present regulations governing specific exemption provide as follows:

In determining the amount of net gifts of a given calendar year there may be deducted, if the donor was a resident or citizen of the United States at the time the gifts were made, a specific exemption of \$40,000 (\$50,000 if the calendar year is before 1936), less the sum of the amounts claimed and allowed as an exemption in prior calendar years. The exemption, at the option of the donor, may be taken in its entirety in a single year, or be spread over a period of years in such amounts as he sees fit, but after the limit has been reached no further exemption is allowable. In determining the aggregate sum of the net gifts for the preceding calendar years, the total amount of the specific exemption claimed and allowed for such preceding years should be deducted, except that if tax is being computed for the calendar year 1936 or for any calendar year thereafter such deduction can not exceed \$40,000. The specific exemption is authorized only in the case of a citizen or resident of the United States. A donor, who was a non-resident alien at the time of the gift or gifts, is not entitled to this exemption.

COMMON TRUST FUNDS

THE 1938 Act makes no material change in the provisions regarding common trust funds, as set forth in the 1936 Act. Section 169 of the latter sets forth two conditions which must be satisfied by a trust fund maintained by any bank before such fund shall be designated as a "common trust fund". These are that the fund must be maintained:

- (1) Exclusively for the collective investment and reinvestment of monies contributed to such fund by the bank, solely in its fiduciary capacity as trustee, executor, administrator, or guardian, and
- (2) In strict conformity with the rules and regulations of the Board of Governors of the Federal Reserve System, relating to the collective investment of trust funds by national banks.

A bank maintaining a common trust fund must file a tax return specifying with respect to such fund all the items of gross income and deductions allowed under Title I.

The bank must also include in the return the names and addresses of all the participants who would be entitled to share in the net income of the fund, if distributed, and the amount of the proportionate share of each. The return must be sworn to in the same manner as in the case of its corporation return filed by the bank.¹¹

¹¹ Cf. *Regulations 94, Income Tax, Revenue Act of 1936*, pp. 360-1.

Causes of Municipal Defaults

By E. A. WAYNE

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ONE widely discussed banking development of the past decade has been the tremendous increase in commercial bank funds invested in obligations of the United States Government. Much less attention has been paid in the same period to the marked increase in commercial bank funds invested in obligations of the states and the thousands of subordinate political units.

Perhaps one reason this has escaped widespread discussion is the fact that the trend has been most evident in the smaller institutions of the South and West. Even when the banking picture as a whole is considered the figures have reached impressive totals. A compilation made by the Federal Deposit Insurance Corporation from reports from all insured commercial banks on June 30, 1938, shows "obligations of states and their political subdivisions held by insured commercial banks" aggregating in face amount \$2,660,288,000.00. This total represented 4.9 per cent of total assets or 13.1 per cent of total securities owned.

MUNICIPALS' RECORD AS A CLASS

THERE is certainly nothing unusual in the fact that banking institutions located at points distant from the nation's financial centers have turned to municipal obligations for the employment of a considerable portion of their funds. Prior to 1930 either they, or their neighbors, made substantial purchases of other types of securities originating in points far distant from their own immediate field of operations, with results which in many instances will not soon be forgotten. When for various reasons, not within the scope of this discussion, the downward trend of deposits was reversed, and funds available for investment increased without corresponding return of the old local demands for credit, they naturally turned to the municipal bond field to employ these funds. Here they found a type of security offering a reasonable return, a high degree of safety of principal and a fairly active market, a security that seemed admirably suited to their needs.

It is indisputable that over the past four decades municipal obligations, as a class, have an enviable record. If we go back of that time, though, we find, in the record of the 19th Century in this country, a somewhat different story (see *Municipal Bonds, A Century of Experience* by A. M. Hillhouse, J. D., Prentice-Hall, a monumental work). Even the record of the recent depression must cause us to pause. Since 1930, 4,770 government units, of one type or another, in the United States have been in default either as to principal or interest, or both (municipal defaults reported to *The Bond Buyer* since 1930). True, they represent only 2.72 per cent of the total of such units in this nation. It must not be forgotten, however, that of the 175,369 local government units in the United States, there are some without any debt. So the ratio

of defaulting units to units with outstanding debt would probably be slightly greater.

It is a well recognized principle that banks should require adequate financial data before advancing credit. It is a little discussed fact that accurate credit information is lacking on the vast majority of smaller governmental units. Much has been written about what constitutes unsound financial policies for business units, well supported with "proof of the pudding" from the vast storehouse of business defaults which we call courts of bankruptcy. Little has been written about what constitutes unsound financial policies for local government units, although surely in the records of our defaulting units of the past eight years there must be available a great lesson learned in the expensive and heart-breaking "school of experience". Many have rushed into print to tell us how unsound business policies, which have led to disaster in other cases, may be detected in current statements of business concerns. Seek, if you will, for similar studies and information regarding smaller governmental units, and almost you may say "darkness there and nothing more".

How much debt is "too much" debt for governmental units? In relation to what should it be measured? Assessed valuations? Per capita? Gross revenues? What part of total revenues can be given over to debt service without wrecking the whole municipal structure, including its debt? At what point does the tax levy become confiscation and not taxation and wreck the whole collection scheme, nothing more nor less, as I see it, than the operation of the law of diminishing returns in government? What percentage of the tax levy can become delinquent without default on the part of the unit? Can our total municipal debt load continue to grow with safety?

BROAD STUDY OUTLINE

AT its annual convention in Hot Springs, Arkansas, last November, the National Association of Supervisors of State Banks adopted the report of its committee on municipal securities, thereby approving and recommending for general use a form of municipal statement prepared by that committee, and further authorizing its committee to make such study of the records of default cases in recent years as appeared to hold most hope of answering some of these questions.

The committee's plan contemplates studies being made of selected cases in about 40 states (six states report no defaults during the period), not more than two or three in any one state.

It is recognized that the results of such a study could not possibly provide any rule or rules which would not vary in other cases. We do not seek, now or ever, to "rate" municipal securities. We seek only some light from dearly bought experience of the past, which may aid us in avoiding pitfalls of the present and future. The task may be beyond our capacity and the results may be disappointing, but we will not be found wanting in effort.

A Commodity Loan Department

By RUSSELL G. SMITH

MR. SMITH, former President of the National Bank Division, American Bankers Association, is vice-president and cashier of the Bank of America, N. T. & S. A., San Francisco.

SOME readers of BANKING may find of interest the experience of the Bank of America in developing field warehouse receipt financing.

We had been making these loans in some volume for a considerable period of years prior to 1936, but handled them as an integral part of our general loan service and did not actively seek their development. Nor was there a special department devoted solely to this type of credit.

The loans made during this period, while not absolutely free from loss, were so satisfactory from a banking viewpoint that the bank decided to establish a separate department for the purpose of developing field warehouse loans and exercising a general supervision over all of the bank's operations coming within that category. The department itself is under the jurisdiction of the senior loan officers of the bank.

The function of our commodity loan department is three-fold. It determines, after intensive study and analysis, the commodities against which loans are advisable, establishes appropriate loan ratios, and offers our loan facilities to sound companies handling the selected commodities. The department also advises the branch credit and loan officers of the proper procedures to be followed in setting up their commodity loans. These pertain to the establishment of approved releasing methods, withdrawing of samples, inspection of warehouses, and general safeguarding of loans outstanding. After a loan is made, periodic reports are obtained from the lending officers and reviewed by the department. Any deviation from the original commitment is immediately called to the attention of the appropriate officer. Price trends of commodities held as security are followed daily, and other statistical data on such commodities are maintained currently. This practice permits the department to be in a position immediately to inform the credit officer of any change which would materially affect a loan. Briefly, every possible assistance is given to the lending officer in order that he may be able to develop and make safe loans, and follow them properly until liquidated.

THE RECORD SO FAR IS EXCELLENT

ON July 15, 1936, the reports of the commodity loan department showed a total of \$3,636,000 in loans outstanding secured by warehouse receipts. From that date to the present, new loans have been made aggregating \$32,740,662, exclusive of a large number of warehouse receipt loans under \$5,000 in amount. The first dollar of loss on loans followed by the department has yet to be taken. At the same time, the interest return on these credits has averaged in excess of 5 per cent. It is pertinent to note that the majority of our warehouse receipt loans (in dollar amount) are secured by receipts issued by field warehouse companies.

This lending record indicates that commodity financing by means of warehouse receipts may be developed to a point where it is one of the safest and most profitable means of extending commercial credit. As an indication of the wide range of activities to which the technique of field warehousing may be applied, it may be of interest to know that upwards of 500 different commodities served as security for field warehouse loans made by banks during 1937. Field warehouse loans are by no means confined to agricultural products, but may be made with equal safety on a wide variety of raw materials and manufactured products.

Bankers who have had no experience in warehouse financing or whose experience has been limited to loans against commodities generally warehoused, such as grain, whiskey, cotton, wool and other staples, often think that field warehouse receipt financing is adaptable only to loans against staple commodities. Frequently they are not aware of the excellent possibilities in financing other kinds of goods in this manner. Our bank has found that financing by means of warehouse receipts is a method that can be safely used when adequate credit could not be properly granted to the borrower in any other way.

ONE PROMINENT CUSTOMER-INDUSTRY

AN outstanding example of field warehouse financing is that which is engaged in by the canning companies of this state. Due to the highly seasonal nature of their operations and the large amounts of credit required, bank loans are extended primarily on a secured basis. As it would be neither practical nor economical for the cannery to transport its goods to a centrally located public warehouse, a field warehouse is set up on the property of the cannery, often in one of the company's own buildings, and all the canned goods pledged as security for the advances are placed under the full control of an independent warehouseman or his agent.

The variety of commodities against which field warehouse loans can be made is almost unlimited. We have financed such diverse items as fertilizer, gold concentrates, olive oil, road oil, tires and tubes, scrap metals and sheet steel. An example of such a loan is one which we made to a customer who is engaged in the oil business. This customer has both producing and refining plants, and his primary product is a type of oil which is used during certain seasons of the year. Through field warehousing it was possible to finance the crude oil in tanks close to the producing wells, and later finance refined oil at the refinery during the slack season.

In addition to increasing loan volume through the granting of new loans, warehouse receipt financing has frequently been used to assist in liquidating slow unsecured credits. By having borrowers secure such loans with available inventories, reduction programs can be effected so that as sales are made, payments are applied on the loan.

On the basis of our own experience we have no hesitation in commending field warehouse loans to the consideration of every banker who is desirous of extending his lending field.

How to Attract Industries

By HERBERT S. SWAN

MR. SWAN is an industrial consultant in New York City. He served the Paterson Commission in that capacity from its establishment.

FOR almost ten years past, cities throughout the country have struggled with the problem of unemployment. Each year the amounts spent upon relief and W.P.A. have mounted and this year an all time peak was reached. Relief and W.P.A. may have kept the hungry from starving, but they have not provided a solution to the problem of unemployment, for there is but one constructive remedy for this problem—jobs in private industry.

Two years ago the Legislature of New Jersey recognized the need for increased effort by the municipalities of the state in the matter of industrial rehabilitation. It took cognizance of the fact that every municipal department, board, commission and bureau was engaged in taxing, regulating, controlling and restricting uses of property and the movement of persons, while not one concerned itself with the development of the taxpayers' tax paying ability through attracting new industries and improving the competitive position of the industries in the community. It therefore authorized municipalities which chose to do so to appoint industrial commissions of seven members with 5-year overlapping terms. Such commissions might, under the Act, construe their functions so broadly as not only to include the attraction of new industries but the improvement of manufacturing conditions through a continuing survey of local factors in industry.

What benefits have resulted from this Act? Of several cities to accept this law, Paterson was the first. The achievements of this Commission have been so far-reaching in their effect upon the industries, the labor and the community, that a brief recital of its work cannot but be of interest to every city.

To describe the different achievements of the Paterson Commission, following a preliminary survey, would take up so much space that only a few of its activities can be described here. But, in brief, the Commission has:—

1. Served as a clearinghouse for all kinds of industrial information concerning the city.
2. Publicized the industrial opportunities of the city.
3. Secured a re-rating of the city for insurance purposes, raising the city from a "C" to a "B" classification and thereby saving local property owners an annual outlay of approximately \$35,000 a year in fire insurance premiums.
4. Established and maintained important and necessary intimate contacts with various national agencies affecting vital interests of the city, such as the Reconstruction Finance Corporation, the F.D.I.C., the Federal Reserve, the National Labor Relations Board, etc.
5. Assumed the leadership in persuading industries represented in the city to have fair trade practice conferences held by the Federal Trade Commission in order to protect local manufacturers and workers from the results of unethical business methods.

6. Surveyed problems affecting the plain goods industry with a view to effecting desirable improvements.

7. Surveyed the local jacquard industry in order to formulate a constructive program for enhancing its competitive position. This report afforded the basis for the leadership taken by the Commission in effecting a peaceful settlement for 3,500 wage earners in the negotiations of a new contract in the face of a strike call already issued.

8. Held conferences with officials of the National Federation of Hosiery Workers, with a view to equalizing local wage scales with those in competing centers.

9. Surveyed labor and working conditions in the dyeing industry.

10. Done everything in its power to establish and maintain industrial peace and tranquillity in the city by being a friendly counsellor and on occasions mediator or impartial chairman in disputes affecting the employment and wages of local workers.

11. Done everything possible to checkmate the propaganda waged by other cities to induce local factories to migrate to other communities.

12. Taken the leading rôle in a huge cooperative enterprise shared in by many different persons and organizations, both inside and outside the city, in attracting new industries to the city and developing them. Over 1,000,000 square feet of space in industrial buildings has been sold to new owners.

In the matter of publicizing Paterson's industrial advantages, the Commission adopted the direct-by-mail method of contacting prospects.

In this connection, the consultant of the Commission prepared a 72-page pamphlet, succinctly and systematically setting forth the industrial advantages of a Paterson location. This pamphlet has met with a ready response from industrial prospects, real estate brokers and trade journals.

An appreciable percentage of the employment losses suffered during the depression has been retrieved. Most important, nearly all of this new development has been in the direction of greater industrial diversification. Where formerly two-thirds of the total payroll of the community was derived from various textile industries, today at least one-half is obtained from non-textile industries.

A gratifying by-product of the Commission's work is the effect it has had upon the status of the bonds of the City of Paterson. Outside investors have felt as a result of the program of work done by our body that the city now, instead of allowing things to drift without doing something about them, is actually awake to its needs. Bond dealers were the first to take the view that a consistent and rational campaign for an improved industrial development would increase the ratables in the community as well as increase the tax-paying ability of the average property owner.

Dealers in municipal bonds are keeping in constant touch with the Commission both by letter and through personal calls. These contacts are proving mutually profitable to both investors and the city.

Savings Bank Life Insurance

By EDWARD H. COLLINS

The author is Associate Financial Editor of the New York Herald Tribune.

SAVINGS bank life insurance, which has grown up in Massachusetts in the last thirty years from the status of a more or less dubious experiment to that of a firmly established institution, expanded its field of operations last month by invading New York State. On January 5, acting under the provisions of the so-called Livingston-Piper Act, which had become law on April 6, 1938, three large New York savings banks formally opened over-the-counter insurance departments as adjuncts to their banking business.

Under the Livingston-Piper Act, otherwise known as Article 10-A of the Insurance Law, any savings bank in the State may establish an insurance department for writing life policies and granting annuities on providing a special guarantee fund of \$25,000 to cover expenses and liabilities. If a bank wishes to render life insurance service for its constituency, but finds it inconvenient to make this initial contribution it may still, if it desires, elect to become an "agency", in which case it performs the selling and clerical services for an underwriting bank.

Administrative control of the new law is vested in a board of four trustees, appointed by the Superintendent of Insurance with the consent of the Governor, and a deputy superintendent. The insurance trustees are chosen from the ranks of savings bank trustees. Not only is the insurance service purely a permissive function, but it must be kept strictly separate from the banking function. Insurance funds may be invested only in the restricted class of investments eligible for insurance company portfolios. Each policy issued, moreover, must state on its face that "the only assets of this bank which are liable for and applicable to the payment and satisfaction of liabilities . . . of the insurance department of this bank are the assets of the insurance department."

Two restrictions in the law tend to give effect to the declaration made by Governor Lehman, when he signed the measure, that the banks were not in competition with private insurance companies. One of these forbids savings banks to solicit business; the other restricts the amount of insurance that can be issued to a single individual. The law provides that no one bank may issue a life policy in excess of \$1,000 or enter into an annuity contract calling for the payment of more than \$200 in a single year. In addition, it provides that no person may obtain from any combination of banks insurance aggregating more than \$3,000.

The services of the insurance department of the savings banks under the new law are not restricted to the banks' depositors. They are, however, confined to persons who are residents or regularly employed in the State. All of the standard types of insurance either are or will be available. These include straight life, limited payment life, endowment, term insurance, and immediate and deferred annuities. Insurance premiums to be charged by the banks are

somewhat lower than those charged on corresponding policies by the mutual companies.

A question which many persons will ask is "Why, if savings insurance has made such a good record in Massachusetts, and has definitely passed out of the experimental stage, are New York banks approaching it so gingerly?" One answer to this is that compared with the manner in which Massachusetts embraced it, New York's reception might be said to be almost enthusiastic. In Massachusetts it was a year after the law became effective before a single bank had begun to write insurance; and in 1922, at the end of fifteen years, there were only four institutions in the field. With the law in operation in New York less than a week three banks were writing policies, and by the end of a fortnight these three banks had done three quarters of a million dollars worth of business.

A DIFFERENCE OF OPINION

BUT this is not the whole explanation of the comparative backwardness of the New York banks in seizing this opportunity to expand their interests and activities. More important is the fact that there is a sharp difference of opinion among savings bankers as to the set-up of the system as provided for in the Livingston-Piper Act. Majority opinion unquestionably favors the institution of savings bank insurance. But among those who favor it a majority, in turn, appear to prefer to hold back in the hope that it can obtain a different type of mechanism. The writer does not propose to go into this highly controversial issue, but broadly speaking, it may be said that the majority of the State's savings bankers object to the present law on two grounds: first, that it is too decentralized; second that it partakes too much of the flavor of State insurance. The program of this group calls for a Central Association, which would perform the underwriting functions for the banks under the management of trustees appointed by the banks, allocating to the State only the normal supervisory functions. At a meeting of the bankers in New York City on December 5 a poll was taken on the question, with the following results. Out of 105 banks present (the State total is 134) 75 voted to seek Central Insurance legislation, 23 voted against asking further legislation, and seven banks refrained from voting. Of the 75 banks supporting modification of the present law 20 reported that their boards had agreed to support a centralized program and another 28 reported that they were prepared to recommend participation.

But if the supporters of the Central Association idea boast a majority in the ranks of the savings bankers, proponents of the present organization are undoubtedly stronger at the State Capital, where the legislative battle on modification would have to be fought. The Livingston-Piper bill was passed by a three-to-one vote in both houses of the State Legislature last year, and sentiment there, under the leadership of Governor Lehman, is strongly in favor of a thorough trial before any change is considered.

The Legal Answer Page

Tax Lien on Stocks

THE District Court of the United States for the Eastern District of Michigan, Southern Division, rendered a far-reaching decision in the case of U. S. v. Carl Rosenfield et al. It was there held that a purchaser for value from a seller, against whom a lien for income tax had been previously filed, took subject to the Government's lien, although not having actual knowledge of such lien. The Court held the conflicting provisions of the Michigan Uniform Stock Transfer Act are subordinate to Federal law.

Under this ruling anyone who buys stocks or bonds through a broker is subject to a Federal tax lien on such securities if notice of lien has been filed against the seller prior to the time of sale. Since it is impossible to search title on stocks and bonds under existing brokerage practices, tax experts have expressed the opinion that a change in the Federal tax lien statutes may be necessary.

Clayton Act

THE question was recently presented to the Board of Governors of the Federal Reserve System as to whether a member of the board of managers of a branch of a trust company is a "director, officer or employee" of the trust company "or any branch thereof" within the meaning of the Clayton Act.

The members of the boards of managers of branches of the trust company are appointed by the board of directors of the trust company; each member must own, in his own name and unpledged, stock in the trust company; such members are chosen from the business and professional men of the locality of the branch; they give no regular time to the business of the trust company or its branch other than attendance at meetings of the board of managers either weekly or monthly; the individual member of the board of managers has no powers in the management of the branch other than his vote in such capacity; such members receive no compensation other than fees for attendance at meetings; the board of managers elects branch officers, passes on loans of limited amount and acts as a board of directors of the branch but with every act subject to the approval and control of the board of directors of the trust company.

The position taken by counsel of the Federal Reserve Bank of the district embracing the trust company in question and concurred in by the Board of Governors was that the Clayton Act is applicable to such board of managers. It was the opinion of counsel that notwithstanding the technical difficulty of classifying such members as either directors, officers or employees, and notwithstanding the well established rule of statutory construction that words in statutes are to be given their normal and usual meaning in the absence of language defining such words or indicating a contrary intent, it may properly be argued that, in view of the intent of Section 8 of the Clayton Act, the phrase "director, officer or employee" is broader in its scope and implications than the composite of the definitions of the individual words

comprising it. If this is so, it would appear unnecessary to determine precisely whether members of boards of managers of branches of the trust company are "directors," or "officers" or "employees" if they are found to be included within the meaning of the phrase as a whole when read in the light of the purposes of the law.

Payroll Checks

BANKERS and clearinghouse associations have recently reported the use of payroll checks which are payable directly to the payee and not to his order. Of course, these checks are not negotiable for they do not meet the requirements of the Negotiable Instruments Act, which provides that an instrument to be negotiable "must be payable to order or to bearer."

The pertinent question, then, is what differences in the legal character of the paper does this loss of negotiability entail. The court in Persky v. Bank of America National Association, 185 N.E. 77, describes the consequences of non-negotiability as follows:

"It is too well established to require argument that ordinarily the assignee of an instrument which is not negotiable takes title subject to all equities and defenses which could be urged against his assignor."

This may be contrasted with the same court's description of the effects of negotiability.

"Every general indorser of a negotiable instrument gives a warranty and engagement to all subsequent holders in due course which is enforceable by a subsequent holder accordingly."

This warranty, which is to the effect that there are no equities or defenses to the instrument, extends to all subsequent holders in due course, thus granting to such holders far greater rights than those enjoyed by transferees of a non-negotiable instrument.

Another common practice in connection with payroll checks is the insertion of a statement on the back of the check that it cannot be negotiated beyond the second indorsement. Since the Negotiable Instruments Act provides that "an instrument negotiable in its origin continues to be negotiable until it has been restrictively indorsed or discharged by payment or otherwise" (Section 47) it may be argued that an instrument is not negotiable if by its very terms it cannot continue to be "negotiable until it has been restrictively indorsed or discharged by payment or otherwise."

Furthermore, the purpose of the restriction on indorsements, which is limitation on the number of transfers, can be avoided, regardless of whether the instrument is rendered negotiable or non-negotiable by the restriction. If it is held to be non-negotiable, it is then assignable and assignment is not prohibited. If this form of payroll check is interpreted as negotiable it can be indorsed in blank (unless specifically prohibited) and the instrument is then made payable to bearer and negotiable without any indorsement.

The Big Purse

As governmental business gets into its stride again, and headlines are dominated by dollar signs and nine-digit numbers, the work of the Treasury Department takes on added interest. And then, also, at this season of the year, there is the income tax.

One of the original Federal departments with its chief in the President's cabinet, the Treasury has, in its long history, accumulated a long list of varied duties.

Based on actual and estimated figures, the "ordinary expenditures" of the Treasury Department for the fiscal years 1931 to 1940, inclusive, are placed at \$1,452,000,000 or \$400,000,000 more than the Department of Agriculture, which is second in point of "ordinary expenditures."

Treasury Department duties range from narcotics control to money manufacture. Here are scenes from Treasury bureaus.



A few income tax forms reach Washington

Official estimates place Federal receipts at \$5,669,000,000 for the fiscal year 1940, as against an estimated \$5,520,000,000 for the current fiscal year. Income tax receipts are estimated at \$1,903,000,000 for 1940, which is slightly less than this year's estimated \$2,086,000,000. Collecting and disbursing these huge amounts are only part of the Treasury's job.

Right, what might appear to be the machinery of a gigantic pipe organ is only a section of the Internal Revenue Bureau's pneumatic tube system

Below, in one of the filing sections of the Bureau





Above, loading securities into an armored car at the Treasury
Left, some of the hollowed-out books, rubber heels and other objects used as containers for smuggled narcotics

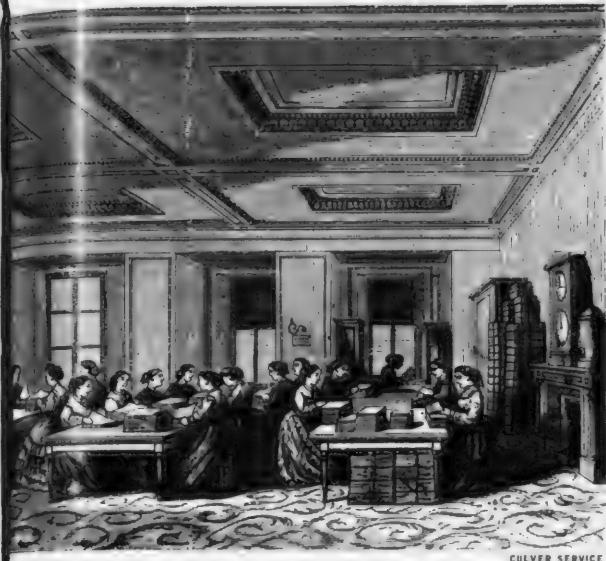
Below, tellers' cages in the Treasury's own banking room, where checks are cashed for Federal employees and some other banking functions are performed



Below, some Treasury officials at lunch. Left to right, W. H. McReynolds, administrative assistant to the Secretary, Archie Lochhead, technical assistant, Roswell Magill, former Under Secretary, H. E. Gaston, Assistant Secretary in charge of public relations



PHOTOS FROM EUROPEAN
BANKING



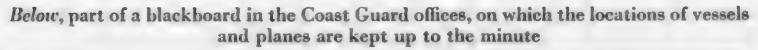
CULVER SERVICE



Above, part of the "money making" division of the Treasury. The drawing at the left dates from the Civil War period, when women were attracted in large numbers to the Federal bureaus in Washington, particularly, it seems, to the Treasury Department.



Left, an artist at work on a drawing that will decorate some product of the Treasury's presses



Below, counting currency sheets



PHOTOS FROM EUROPEAN



Above, a currency engraving on a press ready for the printing operation

Left, a teller in Treasury Vault No. 1, with bundles of currency piled up behind him

Right, a teller and messenger in one of the storage rooms. Metal as well as paper money is stored here



PHOTOS FROM EUROPEAN



Left, bundles of the special paper used in printing the country's currency. The characteristics of this paper constitute one of the counterfeiter's chief obstacles

The Trend of Things in Washington

Up to Their Ears

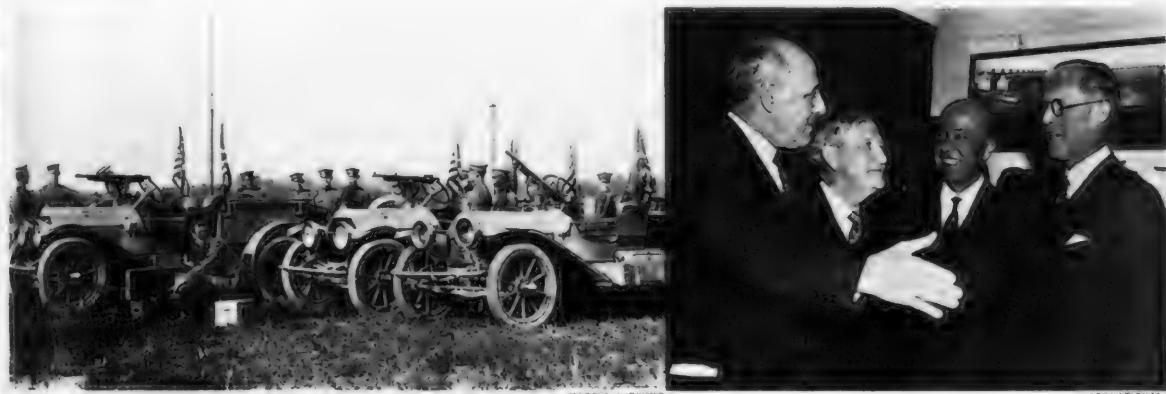


INTERNATIONAL

ACME

Every known variety of national problem, from relief and farm bounties to fortifying Guam, is testing the statesmanship of our Washington lawmakers. *Above: left, Speaker Bankhead and Majority Leader Rayburn; right, Senators Clark and Vendenberg*

Armament



HARRIS & EWING

INTERNATIONAL

Stronger national defense is no longer a question of "whether" but "how much" and "where". Since the picture above at the left was taken at Ft. Meyer in 1914, these matters have benefited greatly by scientific progress. Chairmen May and Sheppard of the House and Senate Military Affairs Committees received important testimony recently from Ambassadors Bullitt and Kennedy (above, right)

Court Tests



TRUE WORLD

ACME

The Government's side will be in the hands of Michigan's former governor, Frank Murphy (above, right, at first Washington press conference), who is taking steps to speed up litigation, including the rapid filling of Federal Court vacancies. At a dinner (above, left) for departing Attorney General Cummings are shown Mrs. Black, wife of the Justice, Secretary Hull, and the guest of honor

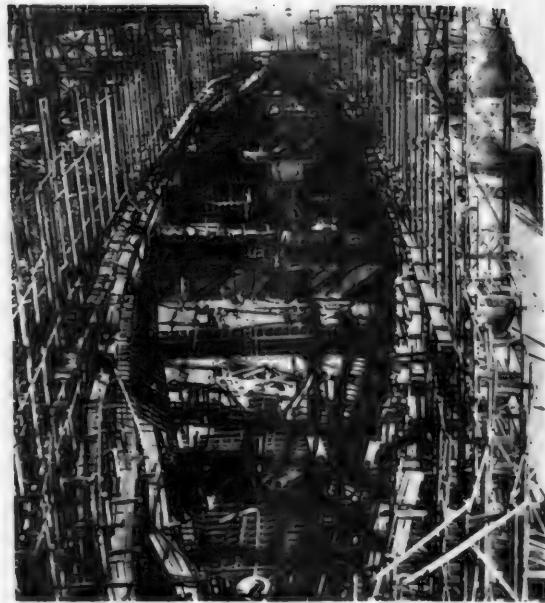
Labor



F. P. G. AND HARRIS & ERING

Above, Secretaries Hopkins and Perkins. The former will attempt to find the formula for operation of the Wagner Act and to bring Labor's two factions together, promoting reemployment by industry. Top, John Lewis and other CIO officers sing *America*

Merchant Marine



INTERNATIONAL

Perennially on the "do something" list of Congress is the merchant marine. Above is a beginning, the S. S. *America*, now building at Newport News. Length, 723 feet; beam, 92 feet; about 30,000 tons; accommodations for 1,219 passengers

Foreign Relations



WIDE WORLD AND ASSOCIATED NEWSPAPERS

Above, Secretary of State Hull and Under Secretary Welles, and a cartoon entitled "We Have a Chin, Too". Some aspects of our foreign policy are becoming evident in operations of the Export-Import Bank (see page 76), and Britain and France are following our lead in the Far East

nding



Above, left, Chairman Taylor of the House Appropriations Committee and Col. F. C. Harrington, WPA Administrator; right, CCC workers. Proved use of funds for political purposes, a different temper in Congress and certain morning-after realizations must be taken into account in guesses on the spending program.

Business



Executive Committee of the Farm Bureau Federation (left) and two railway experts leave the White House. (The railway men are George M. Harrison, chairman, Railway Labor Executives' Association, and Carl Gray, vice-chairman, Union Pacific.) Farm and railway legislation stand near the head of Congress' agenda

Appointments



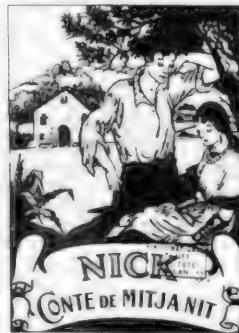
At the left, Dean Acheson leans over to talk to Senators Neely and Norris at the hearings on Felix Frankfurter's appointment to the Supreme Court. Mr. Frankfurter stands third from left in the larger picture. This and similar hearings foreshadow a more earnest effort by Congress to watch and pass upon appointments

Thrift in Any Language

WHILE savings theme and theory are basic to the world over, it is interesting to compare treatment.

Illustrated on these pages is a current cross-section of European thrift advertising contributed by The International Thrift Institute of Milan, an organization of 5,500 savings institutions in 35 countries. Noteworthy is the emphasis placed on child thrift and the approach through savings charts.

At right, brochure distributed by the National Association of Italian Savings Banks: "How can I save?", and one distributed by the Association of Dutch Savings Banks: "Why do we save at school?"



*Above: Folder distributed by British Post Office Savings Banks. Postcard for World Thrift Day celebration by Italian Savings Banks: "The Furrow of Prosperity". Brochure containing thrift tales distributed by the Savings and Pensions Bank of Barcelona: *Nick, a Midnight Tale*. Folder by the Savings Bank of Zutphen (Holland), containing a certificate for 1 Gulden which the Bank sends to parents when a child is born so that they can open a savings account in its name*

*Below: Family budget book by Association of German Savings Banks: "Where my housekeeping money goes." Brochure to promote thrift in the army, issued by the Association of Swedish Savings Banks. *Savings Bank News*, a publication of the Swedish savings banks. Brochure of German savings banks encouraging thrift in the peasantry: "A Blessed Crop"*



En avant!

PAR
STIG LUNDSKOG
ASPIRANT





Haben sie
ein Geheimnis
voneinander!

Ja, in der Tatt! Ein kleines zwar, aber immerhin
ein Geheimnis, das Ihnen doch rechtliche Einschüfe
ermöglicht. Sehr schön, das Ihnen nämlich einer Spar-
genossenschaft ist. Sie spart bei Ihrem Kaufmann,
und er sorgt da zwei Stellen — In seinem
Gewerbe und im Bericht. Wofür sie sparen, was
eine Spargenossenschaft ist, weiß sie bestreit! —

Des sagen Ihnen die nächsten Seiten.

INTERNATIONAL INSTITUTE MILAN 29



POSTSPARBANKEN

Above, a booklet for children issued by the Finnish Post Office Savings Bank

Left, a folder issued by the Savings Bank of Bremen to encourage the use of collective savings boxes with several compartments



Right, Belgian blotter advertisement



Different types of school time-tables, a popular item among most savings associations. The two above and the one at lower left are distributed by the Association of German Savings Banks. Lower right is from the League of Finnish Savings Banks



HYMNO DA ECONOMIA

Versos de
João LYRA FILHO

Musica de
NICOLINO MILANO

Allegro marcial.

PIANO

Rit.

Ra-beira...

Propriedade reservada



Above, folder of the Savings Bank of Glasgow, Scotland

At the right, two blotters issued by the Savings Bank of Roubaix. The upper one says that "The main factor in the success of French thrift is the housewife, with her qualities of economy and orderliness." The lower one states that "The Savings Bank (of Roubaix) is the bank for children"



*A grandeza da Patria reclama
Dos seus filhos amor e harmonia;
Desdobremos, á Luis, um programa
De trabalho e de economia.*

*Para o trabalho, com ardor e afan,
Para o dia de hoje e de amanhã.*

*Hora por hora, durante o dia inteiro,
Fámos juntar, fazer nosso celeiro,
Guardando muito, poupano o mais possível,
Que o Brasil, para ser grande e invencível,
Confia sempre no amor do Brasileiro.*

Por bem pouco que tenhas na mão,

*Guarda um pouco do pouco que tens,
Que, amanhã, há de ter tanto pão
Quantos forem os teus ricos vintens.*

*Para o trabalho, com ardor e afan,
Para o dia de hoje e de amanhã.*

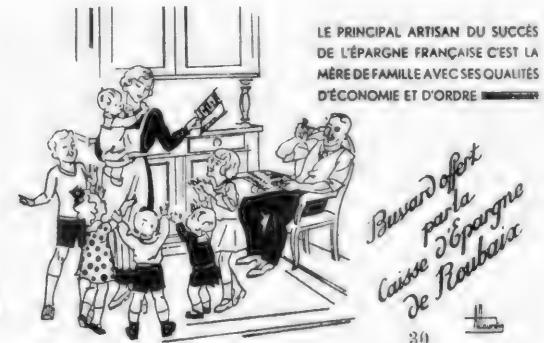
*Hora por hora, durante o dia inteiro,
Fámos juntar, fazer nosso celeiro,
Guardando muito, poupano o mais possível,
Que o Brasil, para ser grande e invencível,
Confia sempre no amor do Brasileiro.*

*Quem consome do ganho não tudo
E o restante guarda com cuidado
Não reclama da vida outro escudo,
Seu escudo é o ganho poupano.*

*Para o trabalho, com ardor e afan,
Para o dia de hoje e de amanhã.*

*Hora por hora, durante o dia inteiro,
Fámos juntar, fazer nosso celeiro,
Guardando muito, poupano o mais possível,
Que o Brasil, para ser grande e invencível,
Confia sempre no amor do Brasileiro.*

Above, "Hymn to Thrift" distributed to school children by the Savings Bank of Rio de Janeiro



Meeting the Public Needs in Banking

THIE American Bankers Association is sponsoring two regional banking conferences in February—the first at Columbus, Ohio, on the 9th and 10th, the second at Minneapolis on the 23rd and 24th. State banker associations in the two regions are cooperating.

The object of the meetings, said the announcement by President Benson who will preside, is to provide bankers with the opportunity to exchange ideas and experiences on current banking operations,

practices and services, and to discuss new means of improving banking service to meet the growing needs of the public. Nationally known speakers, as well as local bankers of the conference areas, will discuss such topics as banker responsibilities, intermediate and instalment credit, public relations, real estate loans, checking service, country bank loans, investments, savings banking, legislation, agricultural banking, and bank insurance.

A public meeting for bank depositors

will conclude each conference. Educational displays of bank equipment and services will be shown.

Business sessions at Columbus will be held at the Neil House, while Minneapolis headquarters is the Nicollet Hotel.

Bankers in 12 states and the District of Columbia have been invited to the Columbus conference. A dozen states will likewise be represented at Minneapolis.

Another conference is scheduled for New York City March 8-10.

**Speakers at
Columbus, Ohio
February 9-10**



Above, left to right: H. E. Cook, President, National Bank Division, A.B.A., and president, Second National Bank, Bucyrus, O.; Herbert V. Prochnow, assistant vice-president, First National Bank, Chicago; E. N. Dekker, assistant vice-president, National City Bank of Cleveland

Bankers on the Columbus program, whose pictures were not obtained in time to appear here, are Roger W. Adams, cashier, State National Bank, Frankfort, Ky.; John L. Barnes, member, Executive Council, A.I.B., and assistant trust officer The Huntington National Bank, Columbus, and William Powers, member of the faculty, The Graduate School of Banking, and assistant cashier, National Bank of Detroit



Above, left to right: B. P. Allen, executive vice-president, First National Bank in Wabash (Indiana); Joseph M. Dodge, president, The Detroit Bank; Ralph J. Miller, vice-president and comptroller, Peoples-Pittsburgh Trust Company

Below, left to right: H. C. Sauvain, professor of finance, School of Business Administration, Indiana University; C. W. Bailey, president, First National Bank, Clarksville, Tenn.; F. B. Post, executive vice-president, State Savings Bank, Ionia, Mich. (Mr. Post will also speak at the Minneapolis Conference); Sterling B. Cramer, first vice-president, Fifth-Third Union Trust Company, Cincinnati





F. P. Powers



E. L. Pearce



H. H. Sivright



W. B. Harrison



A. J. Perry

At Minneapolis

Speakers at the Minneapolis Conference are: Frank P. Powers, president, Kanabec State Bank, Mora, Minn., and president, Minnesota Bankers Association; E. L. Pearce, executive vice-president, Union National Bank, Marquette, Mich.; H. H. Sivright, vice-president, Iowa-Des Moines National Bank & Trust Co., Des Moines; W. B. Harrison, president, Union National Bank, Wichita, Kan.; Newton C. Farr, regional vice-president, National Association of Real Estate Boards, Chicago; Elmer M. Volkenant, assistant cashier, First National Bank of St. Paul; L. O. Olson, assistant cashier, Midland National Bank and Trust Co., Minneapolis; Henry S. Kingman, treasurer, Farmers and Mechanics Savings Bank, Minneapolis; Andre J. Perry, auditor-assistant cashier, First-Fond du Lac National Bank, Fond du Lac, Wis.; E. E. Placek, president, First National Bank, Wahoo, Neb.; Laurence R. Lunden, professor of economics, University of Minnesota, and editor, *Financial and Investment Review*; B. E. Groom, chairman, agricultural committee, Greater North Dakota Association, Fargo; W. J. Cameron, Ford Motor Co., Dearborn, Mich. F. B. Post, who speaks at Columbus, will also speak in Minneapolis

E. E. Placek

L. R. Lunden

B. E. Groom

W. J. Cameron



Below, the heart of Columbus, with the Ohio State Capitol in the foreground





N. C. Farr



E. M. Volkenant



L. O. Olson



H. S. Kingman



Minneapolis skyline

Officers and Staff Members Speaking

Philip A. Benson, President of the American Bankers Association and president, Dime Savings Bank, Brooklyn, Harold Stonier, Executive Manager of the Association, William A. Irwin, Assistant Educational Director, A. I. B., and William T. Wilson, Assistant Director, Advertising Department, will speak at both Conferences. Robert M. Hanes, First Vice-president of the Association and president, Wachovia Bank and Trust Co., Winston-Salem, N. C., will appear at the Minneapolis Conference. D. J. Needham, General Counsel, is on the Columbus program



Philip A. Benson



Robert M. Hanes

Harold Stonier

D. J. Needham

W. T. Wilson

W. A. Irwin



RECORDAK presents to all

an income-producing idea

a new service

and an opportunity to increase

Safe Deposit Box usage



Any of the four Recordak models now in use by banks throughout the country can be used to photograph depositors' personal record files. The Commercial Recordak, standard of operating efficiency in more than 2000 banks, photographs checks, statements, letters and other forms at speeds up to 140 per minute.

IN more than 2000 representative banks, large and small, throughout the country . . . in department stores and other mercantile establishments . . . and in famous libraries and museums, Recordak has demonstrated the value of safeguarding important documents and other records by photographing them on film.

Publicity to the Public

The educational campaigns of banks emphasizing the value of Recordak to depositors—stories in newspapers and articles in magazines—publicity such as that given the Recordak film records buried in the “Time Capsule” at the New York World’s Fair have familiarized the public with photographic recording and its great advantages.

Recordak now offers Recordak-equipped banks the accomplishment of three-fold benefits by making available to depositors the security and economy of having their own records safeguarded.

Banks

se

95% less storage space is required for Recordak film pictures of correspondence, legal forms, receipts, statements, and other important papers than for the originals. Thousands of film records can be inexpensively safeguarded in a small safe deposit box.

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by Recordak on tamper-proof, extraction-proof film. Recordak is so fast in operation—photographing thousands of items per hour—that it is not operated continuously during the day in most banks, and the additional volume can be easily handled during the periods when the equipment is not busy with the bank's work. A scale of charges can be determined by the bank.

Advantages to Depositors

This new service will appeal to depositors—individual and commercial—whose facilities for safe storage of records are being taxed to the limit. Accumulations of records such as important correspondence, receipts, statements, tax forms and other bulky files can not only be better safeguarded in film form but reduced by about 95% in bulk and in space requirements. And, this service will be profitable to the depositor because thousands of records can be photographed on a single roll of film costing only a few dollars. Even with the bank's charges added,

photographic reproductions of original records—in reduced size but complete form—could not otherwise be acquired by an individual depositor at such low cost.

A roll of Recordak film, complete with outside container, measures only slightly more than a package of cigarettes. With thousands of records on a roll, Recordak now opens the way for greater use of safe deposit box facilities—to include types of records which in their original form would not be given this protection because of the expense involved.

Accordingly, two avenues to new income are opened to Recordak-equipped banks without adding any extra facilities or equipment. A profit on the film reproductions of depositors' own records can be realized

and a new talking point in safe deposit box promotion provided by this new Recordak idea.

Help from Headquarters

The first bank in each community to offer this service is, of course, offered the finest opportunity to profit by its possibilities. Newspaper advertising supported by an explanatory leaflet to be distributed by direct mail or as a statement enclosure is recommended as primary material. The Recordak Advertising Department will gladly cooperate in supplying the necessary cuts, suggested forms, and other helpful assistance. Recordak Corporation (Subsidiary of Eastman Kodak Co.), 350 Madison Avenue, New York, N. Y.

RECORDAK

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Accounting
Systems*

The only 7 star fuel is

Pennsylvania ANTHRACITE (HARD COAL)



1. COMFORT
Gives steady, even heat for real winter comfort. No "off-and-on" heat. Glows within itself—heat always in reserve.



2. CONVENIENCE
Automatic heat in any equipment with thermostatic control. Automatic fuel and ash handling all season if desired.



3. SAFETY
Can not leak, spill or explode. Anthracite is the world's safest fuel. It burns silently and is safe to use and store.



4. CLEANLINESS
Can't smoke, create smut or smudge. Keeps homes clean inside and out. Saves laundry costs—and depreciation.



5. HEALTHFULNESS
Insures even temperature. Reduces illness due to up and down temperatures. No cold floors, no air pollution.



6. DEPENDABILITY
Supply for long periods can be stored in small space. Needless to be without heat when weather stops fuel delivery.



7. ECONOMY
Modern Anthracite provides all 7 essentials to complete heating satisfaction at the lowest possible cost for fuel.

WHEN you are consulted about the best fuel for winter heating, remember the exclusive advantages of Pennsylvania Anthracite. Here is one fuel that gives every user all of its 7 heating advantages in any type of heating equipment.

Anthracite does not demand the use of costly equipment. It permits the user to choose the right combination of convenience and economy that best suits his needs and budget. Moreover, it provides the opportunity to add convenience features at will.

Anthracite stokers, providing completely automatic fuel and ash handling, can be installed in an existing furnace or boiler as readily as in a new heating plant.

With any other fuel, the user must give up some of the advantages of Anthracite—which offers the features of all other fuels, and its own exclusive features besides. It is no wonder that Pennsylvania Anthracite is the preferred fuel in more than 6,000,000 homes. It is no wonder that more banks and financial institutions

than ever are recommending Anthracite equipment for installation in homes they finance. Write for a copy of the interesting new book describing the advantages of Anthracite and Anthracite equipment. Anthracite Industries, Inc., Chrysler Building, New York, N. Y.



This Seal of Approval appears on equipment only after a representative sample has satisfactorily passed rigid and impartial tests at the Anthracite Industries Inc. Laboratories.

Save with
Pennsylvania ANTHRACITE
(HARD COAL)

THE ONLY 7 STAR FUEL



NEWS PAPER

20th Mid-Winter Trust Meeting Offers Varied Feb. 14-16 Program

Benson and Hanes Are Among Speakers

A program that includes two symposiums, a forum and a luncheon for past presidents of the Division has been arranged for the 20th annual Mid-Winter Conference of the Trust Division, A.B.A., to be held Feb. 14-16 at the Waldorf-Astoria, New York. Philip A. Benson, Association President, and Robert M. Hanes, First Vice-president, are speakers.

Here is the program, as available at press time:

Feb. 14, 9:45 A.M.—Address of the Division President, Samuel C. Waugh, executive vice-president and trust officer, First Trust Co., Lincoln, Neb.; "Stewards of Security", President Benson; "Better Estate Building and Conservation by Both of Us", Roger B. Hull, general counsel, National Association of Life Underwriters; "Two Decades of Trust Conferences," Thomas C. Hennings, director, Mercantile-Commerce Bank & Trust Co., St. Louis.

2:15 P.M.—Symposium "Public Relations and Customer Relations in the Trust Field", directed by Gwilym A. Price, chairman, A.B.A. Committee on Trust Information, and vice-president in charge of trusts, Peoples-Pittsburgh Trust Co., Pittsburgh. "Direct Mail", Ralph M. Eastman, vice-president, State Street Trust Co., Boston; "Newspaper Advertising", Towner Phelan, assistant vice-president, St. Louis Union Trust Co.; "New Business by Personal Interviews", Harve H. Page, second vice-president, Northern Trust Co., Chicago; "News Stories", James E. McGuigan, vice-president and trust officer, Bank of America N.T. & S.A., Los Angeles; "Customer Relations: A Need and a Challenge", William A. Irwin, assistant educational director, A.B.A.

Feb. 15, 9:15 A.M.—"The

Trust Diners to Hear Bar Association Head

Frank J. Hogan of Washington, D.C., president of the American Bar Association, will be the guest speaker at the 28th Annual Banquet of the A.B.A. Trust Division at The Waldorf-Astoria, New York, on Feb. 16.

Question of Uniformity in Requirements for the Transfer of Stock and Other Registered Securities", C. M. Schmidt, second vice-president, Guaranty Trust Co., New York; "Trust Business as Developed in Canada", R. P. Jellett, general manager, Royal Trust Co., Montreal; "The Duties and Responsibilities of Corporate Trustees with Respect to Voting Trusteed Stock", Ralph H. Spotts, associate counsel, Title Insurance and Trust Co., Los Angeles; "Trust Examination", Leo H. Paulger, chief, division of examinations, Federal Reserve board.

2:15 P.M.—Forum "Some Problems in the Law of Trusts", Austin W. Scott, professor of law, Harvard University.

Feb. 16, 9:15 A.M.—Symposium under direction of Gilbert T. Stephenson, director, Trust Research Department, The Graduate School of Banking. "What a Director Expects of the Head of His Trust Research Department", Frazer B. Wilde, president, Connecticut General Life Insurance Co., and director, Hartford-Connecticut Trust Co.; "What the Head of the Trust Department Expects of His Directors", I. F. Freiberger, vice-president, Cleveland Trust Co.; "What a President Expects of the Head of His Trust Department", Robert M. Hanes, First Vice-president, A.B.A., and president, Wachovia Bank and Trust Co., Winston-Salem, N.C.; "What the Head of the Trust Department Expects of His President", Chester R. Davis, vice-president and trust officer, Chicago Title & Trust Co.

Recommend Six New State Law Subjects

Six new subjects are on the 1939 program of state legislation recommended by the Committee on State Legislation of the American Bankers Association.

These additions to the 1937 program, recently published in pamphlet form, are: a uniform principal and income act, a holiday bank transaction statute, a model banking board statute, a model bank chartering statute, a model bank employees' bonding statute, and a statute making it obligatory for every director and officer of a state bank to report, immediately upon discovery, violations of the law to the proper authorities.

The chairman of the state legislation committee is Carl K. Withers, president of the Lincoln National Bank, Newark, N.J.

To Honor Trust Past Presidents

A new feature of the Mid-Winter Trust Conference will be a luncheon for all past presidents of the A.B.A. Trust Division.

Merle E. Selecman, secretary of the Division, reports that there are 22 living past presidents whose administrations date back 38 years. The Trust Division is 42 years old, the oldest section of the Association.

Samuel C. Waugh, President of the Division and executive vice-president and trust officer of The First Trust Company, Lincoln, Neb., will preside at the luncheon.

Start State Bank Study

The Committee on State Bank Research of the State Bank Division has started work on its eighth annual survey of resources and liabilities and its fifth annual survey of earnings and expenses of state supervised banks covering the year 1938. The information on which these surveys are based is furnished by the bank supervisors of the 48 states.

Spring Meeting April 23-26 at Hot Springs, Va.

A.B.A. Also Sets '39 Convention Dates

The 65th Convention

President Benson has announced that the 65th annual convention of the American Bankers Association will be held at Seattle, Washington, next Sept. 25-28. The Olympic Hotel will be headquarters.

The annual Spring Meeting of the Executive Council of the American Bankers Association will be held April 23-26 at The Homestead, Hot Springs, Virginia, according to announcement by President Benson.

The meeting of the Executive Council of the Association is second in importance and authority only to the Annual Convention of the organization held in the Fall. More than 300 bankers and members of their families from all sections of the country are expected to attend.

The purpose of the meeting is to receive reports from the various divisions, sections and committees of the Association and to study questions of policy and operation.

Customer Relations Booklets Popular

The Public Education Commission of the American Bankers Association is receiving many inquiries and orders for the customer relations booklets which President Benson described in his article "A New Approach to Public Relations", in January BANKING.

The booklets, designed to help bank employees give intelligent and accurate answers to questions about banking, have received wide publicity and favorable comment. Information about them is available from the Commission at Association headquarters, 22 East 40th Street, New York.

Third Service Charge Survey Made by Association Group

Bank Management Commission Study Shows General Use of Schedules

The Bank Management Commission of the American Bankers Association has just completed its 1938 survey of service charge practices in banks in the clearinghouse centers. Conducted to ascertain the trend of service charge practices throughout the banking system, the current study, third of its kind, indicates that charges for services rendered by banks on checking accounts are in operation in nearly every bank covered by the survey, which is published by the Public Relations Council.

In making the survey, questionnaires were sent to 593 clearinghouse associations having a membership of approximately 5,800 banks. Responses were received from 478 associations, more than 80 per cent.

Of the total number replying, 331 clearinghouses, or 69.2 per cent, reported that their banks have measured service charge plans in effect and 67, or 14.0 per cent, reported the use of flat service charge plans. In 35 clearinghouses, some banks were reported to be using measured service charge plans, while others of their members have flat service charge plans. Twenty-one associations stated that their banks use the analysis method of computing charges, applicable to all accounts. Only six clearinghouses reported no service charge plans. Thus, approximately 99 per cent of the clearinghouses from which information was received were shown to have some type of service charge.

Briefly comparing the current survey with those of 1933 and 1935, it is revealed that 94 per cent of the clearinghouses reporting in 1933 were maintaining systems of service charges, while in 1935 the percentage had increased to 96.

The total membership of the associations reporting in the 1938 survey was 4,117 banks, approximately 27 per cent of all banks in the United States. Of this number, 3,997 banks, or 97 per cent, were reported as maintaining a service charge.

Survey Committee

The Bank Management Commission service charge survey was made under supervision of a committee headed by J. Harvie Wilkinson, Jr., vice-president, State-Planters Bank and Trust Company, Richmond, other members being Fred B. Brady, vice-president, Commerce Trust Company, Kansas City, Mo., J. M. Sorensen, vice-president, Stephens National Bank, Fremont, Neb., and Frank W. Simmonds, Senior Deputy Manager, A.B.A., secretary.

"Based on the assumption that the survey is representative of service charge practices throughout the entire banking system," says the report, "it seems reasonable to conclude that an overwhelming majority of all banks in the country have now adopted general service charge schedules. However, it also seems fair to conclude that the proportion of all banks making charges for services rendered on checking accounts may be somewhat under that of clearinghouse banks."

50¢ Basic Charge Is Most Popular

The type of measured service charge plan most generally in use at present, according to the 1938 survey, provides for a basic charge of 50 cents per month on accounts not maintaining an average monthly balance of \$50, noted in 86 clearinghouses. Also widely in use is a basic charge of 50 cents on accounts under an average balance of \$100, in operation in 80 clearinghouses; and a charge of \$1 per month on accounts not maintaining an average monthly balance of \$100, in effect in 65 clearinghouses.

However, there are 159 clearinghouses which start their measured charge schedules with a minimum average balance of \$100, compared with 99 which start at \$50.

The most widely used schedule of flat service charges at present, in operation in 43 clearinghouses, is that requiring a monthly charge of 50 cents on average balances which fall below \$50. This was also the most popular schedule in operation in 1933 and 1935.

Next in popularity—used in 26 clearinghouses—is a flat charge of \$1 per month on accounts not maintaining an average monthly balance of \$100; third is a monthly charge of 50 cents on average balances under \$100.

A Uniform Method of Account Analysis Desirable, Says Report

The study of the schedules of service charges reported by clearinghouse associations discloses considerable diversity of charges and variation of methods.

"This lack of uniformity frequently is confusing to the customers who deal with more than one bank," says the report. "Clearly, a standard formula which could be followed in principle by all banks would be of tremendous value.

"Particularly needed is a uniformity of method. This country is too large and its interests are too diversified to permit the adoption of any set

schedule of charges from Maine to California. Costs of operations must of necessity vary with locality and conditions. But there can be uniformity of methods.

"The basic principle of service charges is that such charges should be predicated on the bank's costs plus a reasonable profit. For this reason it is as necessary for banks to know their costs as it is for industry.

"A knowledge of their own costs by individual banks will go a long way toward reaching the goal of uniformity of method of analyzing depositors' accounts."

More Banks Use Measured Plan; Analysis Liked

The A.B.A. survey reveals that the trend is from the flat service charge to the measured charge system, as a more equitable basis. The 1933 survey showed measured service charges in effect in 26 per cent of the clearinghouses covered. In the 1935 survey, this system was used in 51 per cent of clearinghouses. In 1938 the percentage using measured service charges has risen to 69. Among the clearinghouses which reported in both 1935 and 1938, 65, approximately 18 per cent, have changed during the three years from flat service charge plans to measured plans, while only two have changed from measured to flat.

The measured system was reported to be the only system in operation in clearinghouses replying from Arkansas, Connecticut, Florida, Montana, Oregon, South Carolina, Tennessee, Washington and Wyoming; also Delaware and Idaho, the latter two, having but one association each.

Clearinghouses in Iowa, New Jersey and Wisconsin reported the measured plan exclusively with the exception of one association in Iowa and two each in New Jersey and Wisconsin which reported an analysis method on all accounts.

The flat service charge plan appears to be used to some extent in Alabama, California, Georgia, Louisiana, Minnesota, Mississippi, North Dakota, Pennsylvania, Texas and West Virginia. Rhode Island reported it exclusively.

The study also shows that there is a trend from both the flat and the measured service charge systems toward an analysis service charge plan placing all accounts under either a detailed or simplified plan based on analysis.

"Where the bank's own costs are known accurately, this method will work," the report states. "Care, however, is necessary in order to be sure costs are not increased."

F.A.A. Names Its Senior Councillors

George Everett, assistant vice-president, First Citizens Bank & Trust Co., Utica, N. Y., and president of the Financial Advertisers Association, announces the following elections to the senior advisory council of the organization:

C. Delano Ames, Maryland Trust Company, Baltimore; E. R. Brown, Huntington National Bank, Columbus; Guy W. Cooke, First National Bank of Chicago; Ralph M. Eastman, State Street Trust Company, Boston; J. M. Easton, The Northern Trust Company, Chicago; Fred W. Ellsworth, Hibernia National Bank, New Orleans; A. E. Felsted, First National Bank, St. Paul; A. Key Foster, Birmingham Trust & Savings Co., Birmingham; F. W. Gehle, Chase National Bank, New York City; M. E. Holderness, First National Bank, St. Louis; Thomas J. Kiphart, Fifth Third Union Trust Co., Cincinnati; E. H. Kittredge, Hornblower & Weeks, Boston; Jacob Kushner, United States

Check Protest

Through the state associations the A.B.A. Bank Management Commission is sounding out all banks as to whether the minimum for protesting checks should be raised to \$50 from \$10. If a majority favors the larger figure, the Commission will take steps accordingly.

National Banks' Earnings, Expenses

National banks' earnings and expenses, in their relation to gross earnings, are shown in tables distributed to all of its members by the National Bank Division of the American Bankers Association. The figures are for the year ended June 30, 1938, and are computed by states and also by Reserve cities as a group within single states.

The source and the relative amount of each item of income is shown, and expenses are treated in the same manner. Total assets and gross earnings were about the same as in the last preceding year, though net additions to profits showed a considerable reduction.

New Committee

C. W. Beerbower, President of the A.B.A. State Secretaries Section, has appointed G. Harold Welch, secretary of the Connecticut Bankers Association, as chairman of a new Committee on Banking Education and Public Relations.

Dan Stephens Dies; Widely Known Banker

Dan Voorhees Stephens, widely known former president of the Stephens National Bank, Fremont, Neb., died Jan. 13, aged 71.

Mr. Stephens' many interests included education, farming, publishing and manufacturing, in addition to banking. He served three terms in Congress and was President of the A.B.A. State Bank Division in 1929.

Prominent Trust Man to Practice Law

Thomas C. Hennings resigned Jan. 1 as vice-president of the Mercantile-Commerce Bank and Trust Co., St. Louis, to practice law.

Morgan Is New Virginia Banking Commissioner

Milton R. Morgan, president of the Bank of Eagle Rock, Va., and a member of the A.B.A. Executive Council, was appointed state commissioner of banking for Virginia, effective Feb. 1, succeeding M. E. Bristol.

CONVENTIONS

American Bankers Association

Feb. 9-10	Regional Conference, Columbus, Ohio
Feb. 14-16	Mid-Winter Trust Conference, The Waldorf-Astoria, New York City
Feb. 23-24	Regional Conference, Minneapolis, Minnesota
Mar. 8-10	Savings and Commercial Banking Conference, The Waldorf-Astoria, New York City
Apr. 23-26	Spring Meeting, The Homestead, Hot Springs, Virginia
June 5-9	American Institute of Banking, Grand Rapids, Michigan
June 19-30	The Graduate School of Banking, Rutgers University, New Brunswick, New Jersey
Sept. 25-28	Annual Convention, Olympic Hotel, Seattle, Washington

State Associations

Mar. 26	Louisiana, Cruise to Havana, sailing from New Orleans March 26
Apr. 14-15	Florida, Jacksonville
Apr. 28-29	New Mexico, Hotel Clovis, Clovis
May 3-4	Indiana, Claypool Hotel, Indianapolis
May 4-5	Oklahoma, Oklahoma City
May 6	Oklahoma Institute of Banking, Oklahoma City
May 8-10	Missouri
May 9-10	Mississippi, Buena Vista Hotel, Biloxi
May 9-11	South Carolina, The Pointsett Hotel, Greenville
May 10-12	Kansas, Kansas City
May 11-12	Alabama, Montgomery
May 14-19	Virginia, Cruise to Bermuda on board the Queen of Bermuda
May 16-18	Texas, Dallas
May 18-20	New Jersey, Hotel Ambassador, Atlantic City
May 24-26	California, Coronado

May 24-26	Pennsylvania, Hotel Traymore, Atlantic City, New Jersey
May 25-26	Illinois, Peoria
May 25-27	Massachusetts, Swampscott
May 25-27	West Virginia, Greenbrier Hotel, White Sulphur Springs
May 25-30	New York, Cruise to Nassau on board S.S. Manhattan
June 2-3	South Dakota, Pierre
June 5-7	Iowa
June 7-8	Wisconsin, Milwaukee
June 8-11	District of Columbia, The Homestead, Hot Springs, Virginia
June 9-10	Vermont, Woodstock
June 11-16	Virginia Bankers Conference, University of Virginia, Charlottesville
June 12-13	Oregon
June 14-16	Minnesota, St. Paul Hotel, St. Paul
June 16-17	Colorado, Hotel Colorado, Glenwood Springs
June 23-25	Maine, Poland Spring House, Poland
July 18-20	Kentucky Bankers Conference, Lexington

Other Organizations

May 8-10	Association of Reserve City Bankers, Del Monte, California
May 10-12	Association of National Advertisers, Westchester Country Club, Rye, N. Y.
May 10-12	National Association of Mutual Savings Banks, New York City
May 11-13	Eastern Regional Conference, National Association of Bank Auditors and Comptrollers, Hotel Astor, New York City
June 12-15	National Association of Credit Men, Grand Rapids
Sept. 11-14	Financial Advertisers Association, Toronto, Canada (Tentative)
Oct. 9-13	Investment Bankers Association, Del Monte, California

Mid-Winter Reading

THE humorist's jibe at the weather critics can hardly be paraphrased to fit public relations; certainly much is being done as well as said about that fundamental subject. The National Association of Manufacturers offers a commendable contribution to the increasing accomplishment in its *Making the Annual Report Speak for Industry*. (McGraw-Hill, New York, \$4.)

This book, liberally illustrated, was compiled by James P. Selvage and Morris L. Lee for the association. It sharply focuses the metamorphosis the annual corporation report is undergoing, a change that makes it intelligible, interesting, truly informative, and a "messenger of understanding" to stockholders, employees and the public. It is significant that some 2,000 reports of the "modern" type were available for the study, and from them were selected the examples of what is being done to produce financial and operating statements that effectively reflect the facts about a business as a unit of the free enterprise system. Excerpts and reproductions from such reports are presented concisely so that other companies can adapt the material to their own needs.

Capitalism in Crisis. By James Harvey Rogers. (Yale University Press, New Haven, \$2.50.) The Sterling Professor of Political Economy at Yale, who formerly was one of the President's informal monetary advisers, discusses major influences which, he believes, are capable of producing important alterations in our economic system, provided they are not corrected. These are price rigidity, failure to turn savings into the capital market, uncontrolled budget deficits and surpluses, fear of inflation, state restrictions on commerce, and the bitterness of the conflict between business and government. Professor Rogers suggests some remedies.

Bankers and Brokers Blanket Bonds. By George Alvin Cowee. (The Spectator, Philadelphia, \$4.) Mr. Cowee, vice-president of the Liberty Mutual Insurance Company, presents an illuminating digest and comparative analysis of the coverages, conditions and exclusions found in these bonds. It is, so far as the author is aware, the first attempt at a comprehensive work on the subject ever published in book form.

Contemporary Monetary Theory. By Raymond J. Saulnier. (Columbia University Press, New York, \$4.) Mr. Saulnier, an instructor in economics at Columbia, examines the theories of four recent writers on monetary and business cycle problems: R. G. Hawtrey, D. H. Robertson, F. A. von Hayek, and J. M. Keynes. Emphasizing the concepts and analytical procedures used in the different theoretical systems, the author finds disagreement as to details of method and on main conclusions about monetary policy. More effective tools of analysis, he says, are needed; also, in the future this branch of economics must indicate more clearly the ends of monetary policy as well as the means of realizing them.

Savings and Loan Principles. By Morton Bodfish and A. D. Theobald. (Prentice-Hall, Inc., New York, \$4.) The immediate and principal objective of this book is use as a text in the American Savings and Loan Institute, but it also has the broader purpose of reaching executives in its field and the general public. The development and operation of the

savings and loan business, its services, policies and methods, and its relationship to government are among the subjects discussed. Mr. Bodfish is executive vice-president of the United States Building and Loan League and Mr. Theobald is director of education and research of the Institute.

A Century of Bank Rate. By R. G. Hawtrey. (Longmans, Green, New York, \$4.) The assistant secretary of the British Treasury writes a history of "the practice of the Bank of England in employing its discount rate as an instrument of monetary regulation." In particular he traces the bank rate and gold from 1858 to 1914, the period of great commercial expansion; but considerable attention is also paid to the bank rate and deflation, and to long and short term interest rates. The text is based on extensive statistical material which appears in detail in the appendices.

MISCELLANEOUS BOOKS

How to Operate Under the Wage and Hour Law, by Alexander Feller and Jacob E. Hurwitz (Alexander Publishing Co., New York, \$3.50) is offered as "a complete and authoritative working manual for use in the making of wage and hour adjustments." The book considers the law's scope and extent, its administration, and the changing concept of interstate commerce. There are useful appendices. . . . Another edition of William F. Spalding's *Foreign Exchange and Foreign Bills* is published by Sir Isaac Pitman & Sons, Ltd., London (\$3.50). Like its 10 predecessors, this edition presents the theory and practice of foreign exchange, covering developments up to slightly more than a year ago. . . . Edwin W. Kemmerer's *The A B C of the Federal Reserve System* (Princeton University Press, \$2.50) also appears in its 11th edition. For 20 years this book has been performing a service of explaining our central banking system and keeping up with its changes; thus the present text is thrice the length of the first edition.

E. St. Elmo Lewis in *Going to Make a Speech?* (Ronald Press, New York, \$3) disclaims any desire to write another book on "the art of public speaking." Rather, he talks to "the untrained but intelligent man who is called upon to make a speech . . . and who wants to make the most of what he has." The helpful suggestions offered are based on the simple premise that speech-making is sale-making—the sale of ideas—and stress is therefore placed on audience satisfaction. . . . Robert H. Montgomery's *Federal Income Tax Handbook* and *Federal Taxes on Estates, Trusts and Gifts* are published by Ronald Press, New York, in their 1938-39 editions, the former at \$10, the latter at \$7.50. Each follows familiar lines: the application of the various taxes, legal requirements, accounting procedure, etc. The Revenue Act of 1938, says Mr. Montgomery, is an improvement over the 1936 statute, meaning only that "it is not quite as bad." . . .

Inflation's Timing by Donald G. Ferguson and Allen H. Lester discusses the timing of five great inflations, and various stages and critical points of inflation, as well as "warning symptoms of its explosive stage." The publisher is the American Institute for Economic Research, the price \$1. . . . *Indirect Taxes Paid by Consumers* (Northwestern National Life Insurance Company, Minneapolis) is a continuation of a study begun three years ago by the company's family economics bureau.

In Banking Procedure

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The Earning Power of Banks

By GURDEN EDWARDS

Mr. EDWARDS is Director of the Research Council, American Bankers Association.

THE necessity of adjusting commercial banking practice, within sound principles, to a somewhat broadened view of the commercial bank's functions is a major problem created by the great changes that have occurred in the national economy in recent years.

This is one of the important points, it would seem, that can be deduced from a study just completed and published by the Research Council of the American Bankers Association. Entitled "The Earning Power of Banks," the study makes a factual report on changes in political, social and economic conditions affecting banking, on the resulting modifications in the banking structure, and on necessary adjustments in practical bank operations.

As Leonard P. Ayres, vice-president of the Cleveland Trust Company and chairman of the Research Council, points out in the foreword, the study "deals mainly with things as they are, not as they ought to be." It examines the evolutionary trends in and out of commercial banking and the revolutionary influences these developments have exerted on bank operating figures. Adaptation of banking to these conditions through expanded lending policies (specifically, intermediate capital loans, personal loans, and amortized real estate mortgage loans), through the use of service charges, and through departmental cost analysis, is discussed in detail.

Extensive consideration is given to the changes in commercial bank earning assets and the decreased yields thereon; to the Government's interest rate policy; to the Government lending agencies; to the practice of corporate financing as against traditional commercial borrowing; and to other factors that have altered the commercial banking picture.

THE STUDY SUMMARIZED

PERHAPS the best method of summarizing the study is to quote from its own recapitulation of the factual material presented:

"The ability of the commercial banks of the United States to maintain adequate earnings through the practice of traditional commercial banking functions has been materially restricted by economic, social, governmental and political changes of recent years.

"Under existing conditions commercial banks generally find it possible to obtain employment for only a relatively small proportion of their loanable funds in those types of loans to industry and trade which long constituted their chief sources of income.

"The force of circumstances has made it necessary for them to accept employment for a large part of their loanable funds in investment securities, particularly in U. S. Government obligations which constitute more than half their total investment account.

"These changes have been accompanied by substantial reductions in interest rates on loans and in yields on investments and these factors have seriously impaired the rate of income of banks from these major sources of their earnings.

"In this fall in interest rates customary economic factors

Facts about Banking

THESE questions may be asked: Are bankers responsible for the changes which have taken place in their business? Or were these changes brought about by irresistible economic, social and political forces? To how great an extent must banking reflect and conform to its environment, and how far can it resist the pressure of outside forces? Can banking be brought back to its former state? Or must bankers adapt the operating methods and policies of their institutions as if to a new and permanent state of affairs?

This present study does not attempt to take a dogmatic position on these questions. It does, however, endeavor to present a comprehensive and objective statement of the facts which any attempt to formulate answers to such questions would have to take into consideration. — COL. AYRES, in his foreword to the study.

have been accentuated by a number of special circumstances. Fundamental changes in the prevailing business habits of the nation have brought about a great reduction in the use of commercial credit. Popular, political and governmental attitudes toward interest and financial institutions and practices tend to retard a restoration of the returns on moneyed capital to former levels.

"In view of these modifications in the conditions under which banks now function, and which promise to continue in force, it would appear that the innovations which are developing in bank operating methods and loaning policies are necessary.

"It is recognized, however, that this is a period of transition which imposes upon commercial bank management special requirements of judgment and caution. This would appear to apply especially to the field of capital assets which now enter largely into bank earning assets.

"It would seem advisable that commercial banks qualify themselves to handle enlarged investment accounts as a source of earnings equally as important as commercial loans.

"It would also seem advisable for banks to study the possibilities in their respective communities for extending broadened loan facilities to the public as a means of strengthening their income. These would include systematic methods for granting capital loans, the making of personal or installment credit loans and the origination of and investment in amortized first mortgage loans, as well as efforts to stimulate an increase in their commercial loans.

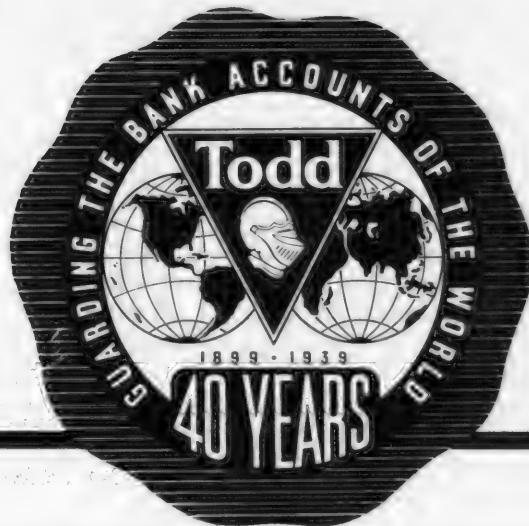
"Narrowed profit margins also indicate the necessity for seeking increased income through adequate fees for specialized services and through sound plans for determining service charges on checking accounts.

"Also the narrowed margin between operating earnings and costs makes imperative the practice of detailed departmental cost accounting, analysis and control with a view of determining the profit or loss which each phase of a bank's operations contributes to its earning power and of eliminating weaknesses which may appear in any department."

The text is supplemented with an appendix covering world-wide banking changes, based on reports prepared by outstanding bank economists in eight leading nations. Many tables and charts are scattered through the study.

1899

1939



FORTY YEARS AGO

this company's founders set a definite, comprehensive course which has been followed without deviation for four decades.

Continuous research and development in the science of check fraud prevention; to the end that Todd products shall always possess exclusive features of safety, efficiency and quality which create friendly depositor relationship and build public good-will.

As we enter our fortieth year of service to banks, business and governments throughout the world we pledge continued, steadfast adherence to the course our founders charted.

THE TODD COMPANY, INC.
ROCHESTER, NEW YORK

Offices in principal cities of the world

METHODS and IDEAS

Clear Statements

THREE GROUPS ARE ENTITLED to certain facts about the operation and progress of almost every business: stockholders, employees and customers. In recent years banks have more and more recognized their obligation to furnish complete, informative, understandable and even interesting statements in place of the "condensed" variety which, aside from meeting the law, did little else to sell the institution.

A number of such interesting reports have crossed our desk since January first. Among those apparently designed for a public relations job is the annual report of the First National Bank, Palm Beach, Florida. Addressed to the bank's depositors, customers, stockholders and directors, the report opens with an invitation for each to become acquainted with the bank's record during the year and its rapid growth since 1933. Comparative tables illustrate deposit growth, increase of stock value, increase of net earnings, and number of patrons. Other pertinent facts on service development, employee promotions and general bank activity are highlighted under separate chapters. All is written in simple, direct statements and there is a complete absence of technical terms. Enclosed with the report is a suggestion form on which the recipient is invited to comment on the statement, suggest improvements on present service, suggest new services which the bank may adopt, and give a personal opinion of the bank's officers and employees. A business reply envelope is also provided.

The Bowery Savings Bank gives a pictorial analysis of the average Bowery

Compiled by John J. McCann, Jr., Advertising Manager of the National Savings Bank, Albany, New York

depositor and his money. The breakdown of five classifications, including housewife, mechanical worker, business and professional man, white collar worker and others, extends the pictorial analysis currently used in the bank's newspaper advertising.

The Eutaw Savings Bank of Baltimore publishes its statement in a 16-page booklet, listing all investments. Other banks have subcaptioned statement items with brief, understandable explanations.

Counter Cards

THE USE OF COUNTER DISPLAYS as a selling device for departmental services is not by any means new in itself, but oddly enough a little investigation shows up the fact that scant attention is paid the medium in the average bank budget. The banking public in any other light is simply the buying public, and it is safe to say that it is as conscious of counter cards as any other advertising medium—perhaps even more so. A sales counter isn't a sales counter without its price card and invitation to buy.

As a demonstration of effective layout and selling messages we reproduce examples done in the characteristic modern style by California Bank, Los Angeles. These cards are being used in the bank's 54 branch lobbies, at tellers' windows, on officers' desks, etc. Net circulation runs into thousands daily and naturally the prospects reached are

the most desirable—the bank's own customers.

True-or-False

COMING IN A SUCCESSION of advertising trends—comic strips, balloons, Ripley "Believe It or Not," picture-and-caption—chief bidder for current popularity is the true-or-false technique. The quiz had an early trial as an entertainment device in "Ask Me Another". Now it is featured in some 25 radio programs, notably "Professor Quiz", "Information Please" and "Vox Pop". The transfer from air-waves to printed advertisements has lost none of its original interest-pulling force. National advertisers of many classifications currently tie in the idea to unusual facts about services and products. A number of banks have adapted the technique to the promotion of certain departmental services, particularly trust and safe deposit.

An interesting one-column series is run by the East River Savings Bank (New York). Titled "Money Quiz", ads list six points which the reader should answer as a check on his chances for financial success. A yes-and-no box score is carried at the bottom of the ad. Beneath this runs the line: "You can see by your answers that you should open a Savings Account right away . . . or else!"

Historical Checks

ON SEVERAL FORMER OCCASIONS we noted in this column the spreading vogue of bank check advertising. And now comes a new candidate for this unique group from the Huntsville National Bank, Huntsville, Texas. The new counter checks of the bank highlight Huntsville's historic background, her principal industries and resources, and other advantages of the community. The fact that Huntsville was the home of General Sam Houston is mentioned under the date line. There's something very appealing about this new trend. Check circulation, we hope, shall never be sold as an ad medium, but community boosting is commendable.

Trust Questions

THE SAFE DEPOSIT AND TRUST COMPANY of Baltimore has just completed the run of an excellent series of 24 advertisements, all based on questions asked at the bank by patrons and prospects about wills and trusts. The whole

(CONTINUED ON PAGE 58)

The image displays three rectangular counter cards from the California Bank, Los Angeles. The top card features a large, stylized, bubbly font for "NOW" and "LIVING". Below this is a circular logo containing a small house and tree, with the words "PLANNING TO BUILD?" underneath. The middle card has a large, bold, slanted font for "AUTO LOANS". Below this is a small illustration of a car wheel and tire. The bottom card has a smaller, more formal font for "CALIFORNIA BANK IS THE BANK TO SEE FOR LOANS". At the very bottom of the page, there is a small note: "California Bank is the bank that likes to loan".

Examples of counter cards of the California Bank, Los Angeles. (See "Counter Cards", above)

Continental Illinois uses Nationals



One of Continental Illinois' nine savings department units



The Continental Illinois National Bank and Trust Company of Chicago, one of the largest banks in the United States, uses National Posting Machines in its Savings Department.

Posting pass book and ledger card simultaneously at the tellers' windows with Nationals has these advantages over other systems of handling savings transactions with depositors:

- ★ It speeds up counter service
- ★ It eliminates duplication of clerical work
- ★ It provides complete auditor control over every transaction handled by the tellers
- ★ It makes sure that all related records are exactly the same and in balance

These and many other advantages are readily apparent after you have had a demonstration of the National Posting Machine.



The National Cash Register Company

DAYTON, OHIO

Cash Registers • Bank-Bookkeeping Machines • Typewriting-Bookkeeping Machines
Posting Machines • Postage Meter Machines • Check-Writing and Signing Machines
Accounting Machine Desks • Analysis Machines • Correct Posture Chairs

METHODS—Continued

series followed a uniform layout and type style. Each ad was headed with the bold-face caption, "Have You Asked This Question?" Sub-head posed the question in italics. Brief, but pointed copy gave the answer. The whole gamut of questions on trusts, the usual and the not so usual, was answered in the series. It seems that a simple campaign idea such as this would be well worth widespread adoption. It is educational, primarily, and, as well, it trades on the somewhat axiomatic fact that the best way to stir thinking is ask a direct

question. Copy angles for a campaign of this sort will be found every day in any trust department.

Goal Bonds

A NOVEL SAVINGS SCHEME, called "Nonowe Purchase Plan" (see illustration, bottom of this page), designed to promote car sales on a pre-paid basis, was developed recently by William Ringer, auditor, Gary Motor Sales Inc., and is now operating through the Gary State Bank, Gary, Indiana. The appeal is directed to the thrifty-minded prospect who prefers to save the car purchase price in advance of purchase,

rather than burden himself with an overload of debt and finance costs via the credit sale.

To participate in the plan, the prospect merely signifies his intention to purchase a new or used car from the dealer and then agrees to open a joint savings account at the bank. The goal set, the prospect makes regular deposits at the bank as he would normally. From the dealer he receives an "Automotive 3% Goal Bond" which guarantees double bank interest, providing the funds are used to purchase a car within a two-year period. The prospect has complete control of all funds, and in the event the program is not completed, the entire amount will be refunded on request, but interest will be allowed only at the prevailing bank rate less \$1.00 for clerical and stationery expense.

The plan is featured as an encouragement to thrift. The benefits are lined up in this manner: elimination of all finance charges, no handling fee, no loss of equity, choice of insurance broker, no interest charges, a guarantee of 3 per cent credited semi-annually. The Nonowe way illustrates a net saving of 12 per cent, 3 per cent paid on deposits and the elimination of the estimated finance cost of 9 per cent. Deposit money does not enter into the company's current funds and so contingent liability is prevented.

(CONTINUED ON PAGE 61)

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

Statement of Condition, December 31, 1938

RESOURCES

Cash and Due from Banks	\$ 580,203,742.46
United States Government Obligations, Direct and Fully Guaranteed	552,089,385.26
Other Bonds and Securities	64,423,562.92
Loans and Discounts	166,296,425.55
Stock in Federal Reserve Bank	2,850,000.00
Customers' Liability on Acceptances	918,146.72
Income Accrued but Not Collected	3,288,920.90
Banking House	12,900,000.00
Real Estate Owned other than Banking House	3,386,945.21
	\$1,386,357,129.02

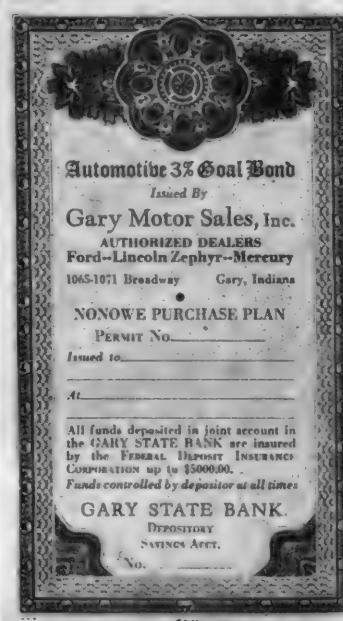
LIABILITIES

Deposits	\$1,257,555,445.37
Acceptances	924,418.98
Reserve for Taxes, Interest and Expenses	4,668,748.44
Reserve for Dividend on Preferred Stock	312,500.00
Reserve for Contingencies	13,929,997.85
Income Collected but Not Earned	254,481.33
Preferred Stock	25,000,000.00
Common Stock	50,000,000.00
Surplus	20,000,000.00
Undivided Profits	13,711,537.05
	\$1,386,357,129.02

United States Government obligations and other securities carried at \$212,946,453.77 are pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

First page of a folder describing the "Goal Bonds". (See "Goal Bonds", above)



check

Your present routine may require your employees to build toward peak loads.

Peaks can be leveled by adopting a plan that will permit handling part of the peak volume at a valley period, and by shifting employees from one job to another.

check

Your employees may be preparing related records in separate operations.

Hours can be saved—energy can be conserved—by posting several related records (such as loan and discount, collection letters, draft register and checks) in one operation.

check

Your adding machine operators may not be using the fastest method.

With the modern Burroughs Short-Cut Method of listing and adding amounts, speed is obtained by eliminating needless operations.

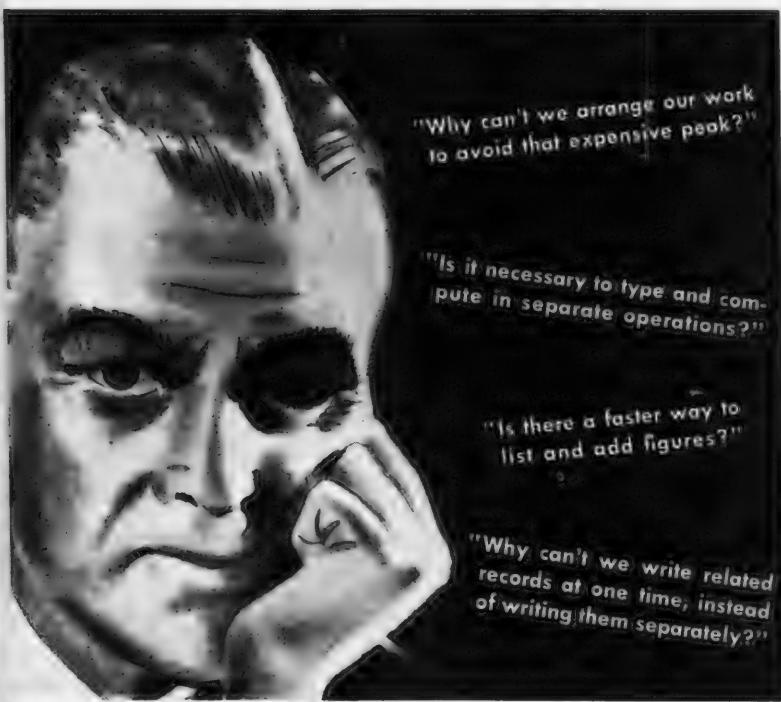
check

Your operators may be obliged to handle additional figures to obtain group totals.

The modern way is to use a two-total machine which accumulates the grand total or net result automatically while the operator makes the individual calculations.

Burroughs can make unbiased recommendations for each desk because its range of adding, calculating, accounting, cash handling, statistical, and forms-writing machines permits recommending the exact equipment to assure maximum short-cuts.

How are we going to meet this Hours Problem in our bank?



By surveying the routine on each desk you may find that you are handicapping your employees unknowingly by requiring them to perform many operations that might be shortened or eliminated.

Your local Burroughs representative is fully qualified to suggest many practical short-cuts that save time and money.

Why not telephone your local Burroughs office today?

SEND FOR THIS BOOKLET!

For the executive concerned with the problems of conserving clerical hours, this new booklet contains many specific suggestions for readjusting office routine. Send for your free copy today on your own letterhead. Address Burroughs Adding Machine Co., 6252 Second Blvd., Detroit.



Burroughs



"Beware the Afterclaps!"

Thus old whaling-men warned against overconfidence. For many a well-harpooned leviathan, seemingly destined for the try-pots, dealt sudden destruction with an "afterclap" of his tail.

Today, many a business project is wrecked in mid-career through a premature sense of security. Too often it has been left unguarded against the dangers of forgery,

embezzlement, robbery or theft of securities, and similar hazards.

Standard Accident of Detroit, with 55 years' experience and ample resources, offers the perfect safeguard for financial institutions and those whom they serve. Call on a Standard agent for competent counsel on proper Casualty and Bonding coverages.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

METHODS—Continued

Employee Relations

IN THE OPINION of seasoned observers, one of the most significant developments in labor relations of recent date is the reports issued by many industrial concerns to their employees, designed to inform them of the company's policies, plans and financial status.

The Marine Midland banks have just prepared and published such a statement, simply written so that even the newest additions to the bank staffs will readily understand more about Marine Midland aims and activities. This 20-page booklet explains the scope of Marine Midland operations, its ownership, functions of the Corporation and the Group, the advantages offered for local customers, service features, investments, sources of income, its record and a message from the president and chairman of the board. These booklets were mailed to the homes of employees and to all the Marine Midland Corporation stockholders.

Time Teller

IN THE AVERAGE CITY several thousand "correct time service" calls are made daily, and telephone companies charge a flat fee of five cents each. Within the past few years a unique device has presented a time-telling service as an attractive advertising medium for banks. Latest of a large group of banks using Audicron service is the Plainfield Trust Company (Plainfield, New Jersey). This automatic device gives, without charge, the correct time, day or night, to anyone who calls the "Time of Day Service" telephone number. A brief advertising message precedes the correct time. Some idea of the popularity of robot-time service is suggested by the experience of the Merchants National Bank (Mobile, Alabama), one of the first banks to install Audicron. One million calls were made during the first year, and the annual average has since increased to one and a quarter million.

Selling Safe Deposit

IT SEEMS THAT merchandising the safe deposit department has been more or less confined to set copy themes in the past. Possibly the personal and confidential nature of the service suggests the soft pedal on interpretative selling. At any rate, a good many advertisers have sensed the greater selling force in the true romance of these hidden treasures, if only there was a way to get at it without offense or reaction.

(CONTINUED ON PAGE 63)



E dison's 8½" x 11" miracle!

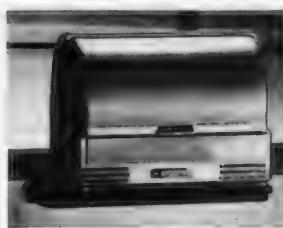
It's the new, enclosed Ediphone for your desk. A beauty to look at! Compact as a box of candy! This complete Ediphone takes up less desk space than a sheet of regular 8½" x 11" business paper. Think of that! It's another achievement of the "house of miracles"—the Thomas A. Edison Laboratories.

And it's a cinch to use—easy as the telephone. You'll get out letters in 20% to 50% less time. But that's

only half the advantage of this new time-saver. Memos, notes, dates, instructions, ideas are recorded as you think of them. Details disappear like magic.

Your mind is left free and clear for the real business problems. Try one on your desk for a day or two.

For all data, phone the Ediphone (your city) or write Dept. K2, Thomas A. Edison, Inc., W. Orange, N.J. In Canada, Thomas A. Edison of Canada, Ltd., 610 Bay Street, Toronto.



Completely enclosed . . . handsome . . . dust-proof

SAY IT TO THE

Ediphone

EDISON VOICEWRITER

YOU

may save thousands through the
*NEW way of buying insurance

What is this NEW way? Why is it of more than ordinary importance to you?

First of all, the NEW way consists of buying insurance *protection*—not just insurance policies. It starts with considering the *amount at risk*—rather than the probability of loss. You can afford an occasional loss of a few dollars—but one loss of \$100,000 might be a catastrophe.

You may always have bought insurance with reference to the risks to which you are exposed—and with reference to the importance of those risks. But how about those with whom



you do business? Your fortune is definitely linked with theirs.

Whether it be a question of your own insurance needs, or of protecting your interests by making sure that your customers and clients are properly insured, this NEW way deserves your thoughtful consideration.

Western Union (in Canada, Canadian National Telegraphs) will give you the name of the nearest Hartford agent, who will gladly tell you the whole story about the NEW way of buying insurance. Or get in touch with your own insurance broker.

*This is called the NEW way because it is new to most buyers of insurance. But as a method of fitting an insurance program to the buyer's needs, it has long been practised by agents of the Hartford.



Hartford Fire Insurance Company
Hartford Accident and Indemnity Company

HARTFORD, CONNECTICUT

METHODS—Continued

The Mississippi Valley Trust Company of St. Louis has found just such a way of tapping this unlimited reservoir of copy themes. Last month the bank staged a unique "Treasure Chest Contest" offering cash prizes for the most "unusual stories behind things kept in safe deposit vaults". Entries were limited to 300 words or less. Contestants were permitted to use their own personal experience or to develop stories around the experiences of friends. No limit was set on the number of complete stories submitted. Papers, judged on clarity, merit and general interest, received a first award of \$50, second \$25, third \$10—and ten additional awards of \$5 each. The bank reserved the right to publish winning entries, but out of respect for the personal nature of the subject, names of winners were not made public without permission. The contest was very well received. The files of experience data, easily translated into effective selling copy, should eventually add further profits to the campaign.

Farm Inventory Week

JANUARY 2-7 WAS DESIGNATED this year for the annual farm inventory and credit statement campaign sponsored by the Committee on Agriculture of the New York State Bankers Association. Basis of this educational program is the farm account book prepared and published by the Department of Agricultural Economics and Farm Management of the State College of Agriculture, Cornell University, Ithaca. Designed for a two-year record, the book includes explanations and simplified forms on the following: (1) how to take a farm inventory and make a credit statement; (2) how to keep an account of a crop; (3) how to keep a dairy account; (4) how to keep a poultry account; (5) The New York Farm Inventory and Cash Account Book; (6) farm credit statement forms suggested by the Federal Reserve Bank of New York.

As in past years, banks in agricultural areas fully cooperated in the campaign by displaying official posters, participating in farm meetings, distributing books, and encouraging patrons to use them as a means of establishing credit. Individual assistance in filling out forms and the usual type of field work was covered by county agricultural agents. Borden's, Sheffield's, the Dairymen's League and other large organizations gave assistance in the drive.

Educational articles appeared in trade papers, country weeklies and magazines. The radio also played an

important part. WGY, National Broadcasting Company's key station in east-central New York, carried two programs, one in December, the other during campaign week. WESG at Elmira carried daily talks on farm inventories and credit statements throughout the campaign. Many banks tied in newspaper schedules and other media to the campaign, and also imprinted their signature on books for local distribution.

The results tested over a period of years indicate that an estimated 19,000 farmers file annual credit statements with local banks, most of which are attributed to the intensive educational program.

Paper Profits

"THERE IS PERHAPS no other major business so completely dependent on printed forms as banking, and no other in which specific qualities of paper are of equivalent direct and indirect importance." So writes Frank J. Waldeck, assistant vice-president, Cleveland Trust Company (Ohio) in the lead article of a series on the purchase and use of paper by major industries, appearing in *Paper Progress*, trade monthly. As Mr. Waldeck points out, the variety and volume of forms required by banks is no more incredible to the layman than to bankers themselves not directly concerned



The First National Bank of Chicago

Statement of Condition December 31, 1938

ASSETS	
Cash and Due from Banks,	\$353,389,901.81
United States Obligations—Direct and fully Guaranteed,	
Unpledged,	\$301,626,163.33
Pledged—To Secure Public Deposits,	14,753,968.75
To Secure Trust Deposits,	21,857,485.16
Under Trust Act of Illinois,	<u>549,908.12</u> 338,787,525.36
Other Bonds and Securities,	79,681,765.41
Loans and Discounts,	221,076,836.06
Real Estate (Bank Building),	6,262,749.76
Other Real Estate,	1,419,677.41
Federal Reserve Bank Stock,	1,875,000.00
Customers' Liability Account of Acceptances,	1,366,051.80
Interest Earned, not Collected,	2,687,586.85
Other Assets,	<u>137,683.75</u>
	\$1,006,684,778.21

LIABILITIES	
Capital Stock—Common,	\$30,000,000.00
Surplus Fund,	32,500,000.00
Other Undivided Profits,	3,970,054.00
Discount Collected but not Earned,	635,089.04
Dividends Declared, but Unpaid,	600,000.00
Reserve for Taxes, etc.,	1,891,408.63
Liability Account of Acceptances,	1,519,049.38
Time Deposits,	\$175,492,244.08
Demand Deposits,	678,925,557.66
Deposits of Public Funds,	<u>81,149,441.85</u> 935,567,243.59
Liabilities other than those above stated,	<u>1,933.57</u>
	\$1,006,684,778.21

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

with supply purchases. This variety ranges from 100-350 different forms in small country banks to between 1,500 and 4,000 in metropolitan institutions.

Taking a cue from the article, it is obvious that there can be considerable waste. To find the leaks a careful periodic analysis is advised. Mr. Waldeck cites an interesting case of a mid-western bank which cut down costs and increased efficiency by a survey of banking forms in all departments. Following a study of the questionnaire data as to the purpose and use of each item, the method and time required in preparing each form, the length of time each was

kept in files and the suggestions on consolidation and simplification of forms, the purchasing officer, with the advice of a good local printer, found it was possible to eliminate 53 forms by subjects and made 52 other improvements in standardizing sizes, weights and paper quality.

Here are the seven Watchwords for Form Buyers suggested by Mr. Waldeck:

1. Entrust all paper and form purchases to one man.
2. Establish and maintain a perpetual form inventory.
3. Periodically check the working efficiency of forms.
4. Be regularly alert

"A LOCAL HABITATION AND A NAME"



The Biggest Names Are Local Names

Harry Cawkins is a bigger name in his home city than Hitler. Nobody there really knows Hitler. Everybody in town knows Cawkins.

So when Harry Cawkins gets into print, his name makes more news than a cablegram from Austria; not only to Harry Cawkins, but to all his relatives, friends and acquaintances!

Here you have the reason for the great pulling power of the Localnews Dailies.

Because Localnews Dailies recognize that the biggest names are local names, they rank first in continual and thorough reader interest!

"The more names, the more news"

LOCALNEWS
Dailies

CIRCULATION OVER 20,000,000 DAILY

Copyrighted by The Julius Mathews Special Agency. Newspaper Representatives serving national Advertisers through recognized advertising agencies.

for combinations and simplification.
5. Make suitability to use the basis of paper selection. 6. Adjust sizes to standard sheets, binders and envelopes. 7. Plan printing orders for "ganged" runs of items.

New Checks

MANY VERSIONS of the money order type of check have appeared in the last year or two, and the increasing favor seems to indicate a profitable market. "Bank serviced" checks, latest arrival, were recently inaugurated by The National Newark & Essex Banking Company (Newark, New Jersey). Checks of any amount up to \$100 can be bought for a fee of ten cents. The checks are issued at the "serviced check" window and both the check and stub are filled out and signed with the customer's signature. The bank then collects the amount of the check plus the fee, numbers, stamps and records the check. The forms used for this new service were designed by the bank. Copies are available.

"Equalized Savings"

DESERVING A BIT of attention-calling is the new combination of Government-insured savings accounts linked up with a life insurance plan recently announced by a group of Federal savings and loan associations in New York City. Under the plan a \$5 monthly saver can ac-

(CONTINUED ON PAGE 66)

A phase of banker-farmer work. (See "Farm Inventory Week", page 63)

Farm Inventory Week, January 2-7

INVENTORY BOOKS FOR FARMERS

IN co-operation with the New York State Bankers Association, the American Bankers Association and the New York State College of Agriculture, we are supplying farmers with convenient and complete inventory books. Every farmer should make an inventory and file a credit statement. Such an inventory will—

1. Show your net worth above all debts.
2. Show how much you are getting ahead financially.
3. Make a basis for preparing a credit statement.
4. Help put your farm on a business basis.
5. Provide a valuable list of property for use in case of fire, settling an estate or for other

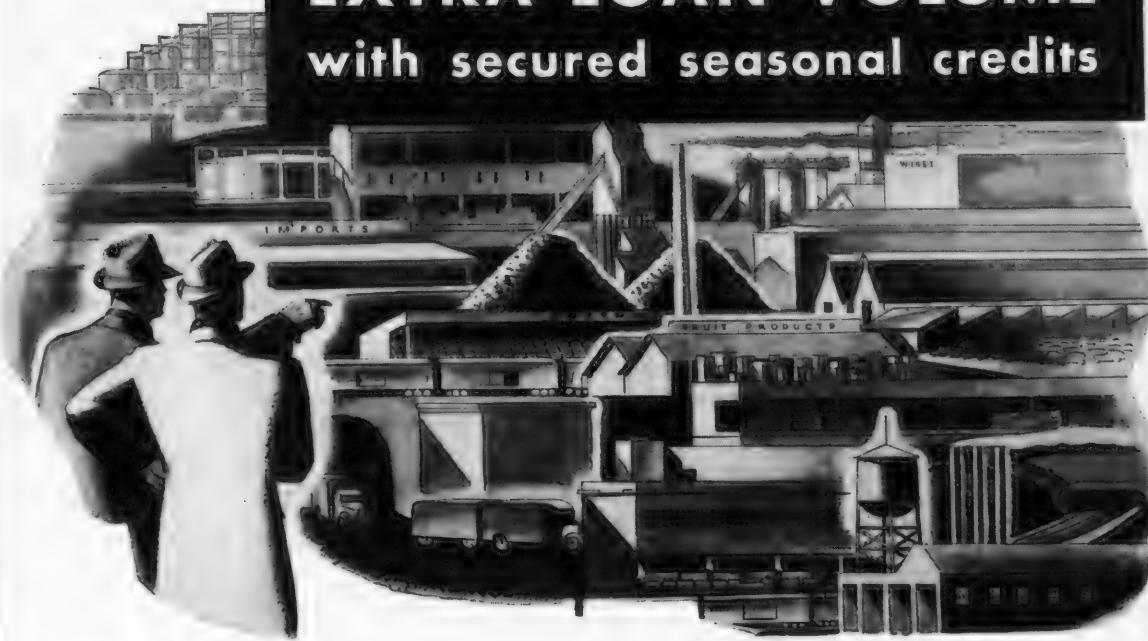
The New York State College of Agriculture recommends that every farmer who does not keep accurate accounts, take an inventory each year. It's a sound plan and every farmer should co-operate.

THE
First National Bank

of Cooperstown, N. Y.
Member Federal Deposit Insurance Corporation

BANKING

EXTRA LOAN VOLUME with secured seasonal credits



WETHER your bank is in the largest center or most remote rural region, you are sure to find additional outlets for funds by developing commodity-credit business. The market for loans against inventories is not limited to large producers of basic materials. Under LAWRENCE SYSTEM field warehousing, almost any commodity stock in the hands of supplier, manufacturer or jobber can be successfully used as a basis for loans.

Why not make a check of immediate lending opportunities by examining the inventory holdings of your present borrowers. If certain accounts are operating with insufficient capital, the chances are you can increase many loans by suggesting credit on a secured, warehouse-receipt basis. At the same time you will throw sound protection around your money.

Three fertile fields for business

The primary function of LAWRENCE SYSTEM is to safeguard loans. It does this thoroughly, yet it enables you to depart from limitation of open credit. In many ways, it produces benefits for borrowers, too, and thus helps in attracting new accounts.

Specifically, here are the opportunities for credit development:

- 1 • Funds can be placed with many firms ineligible for adequate lines unsecured.
- 2 • "Wholesale credits" may often be developed through financially strong suppliers who can field warehouse large shipments and thus give you their customer-credits.
- 3 • Loans to established borrowers frequently can be enlarged.

We shall be glad to work with you, without obligation, in developing any prospective credits you have in mind. Write or call our nearest office now, while you think of it. A free reference booklet, "Warehouse Receipts as Collateral," is also available on request.

CREATING COMMODITY PAPER AGAINST INVENTORY

Member: AMERICAN WAREHOUSEMEN'S ASSOCIATION Since 1916

LAWRENCE
SYSTEM

A. T. GIBSON, President

NEW YORK: 52 Wall Street • CHICAGO: One North LaSalle Street • BUFFALO: Liberty Bank Bldg. • KANSAS CITY, MO: Commerce Trust Bldg.
BOSTON: 49 Federal Street • SPOKANE: South 155 Stevens • FRESNO: 2030 Anna Street • HOUSTON: 1001 Shell Bldg. • DALLAS: Santa Fe Bldg.
SAN FRANCISCO: 37 Drumm Street • LOS ANGELES: W. P. Story Bldg. • PORTLAND, ORE: U. S. National Bank Bldg. • HONOLULU, T. H.

CERTIFIED ON CHECKS . . . LAWRENCE ON WAREHOUSE RECEIPTS

METHODS—Continued

cumulate \$1,000 in 15 years, and, should he die before accumulating that amount, the difference between the amount saved and the \$1,000 is paid by the insurance company.

The plan, in other words, guarantees thrift—a point which seems to be the stickler for ordinary saving. Known as "equalized savings", the plan is currently sponsored by the Serial Federal Savings & Loan Association and West Side Savings & Loan Association, New York City. The risks are carried by the United States Life Insurance Company.

Reader Check-Up

FOR THE HOUSE MAGAZINE editor seeking source material and a check of reader interest, the method devised by the Savings Bank of Utica (New York) for its quarterly publication, *The Way to Wealth*, may be helpful. Enclosed with the first issue of the new year is a cordial note addressed to "Dear Reader", a bank calendar, a Christmas Club signature card, and a suggestion card. This item contains a form on which the reader is requested to list the articles and features enjoyed most during the previous year and to list suggested items and articles for the current year. On the card, also, is a new address form. It is printed on a business reply post-card. A very high percentage of returns is received, and the suggestions form the basis of editorial policy.

Special Exposition Tours

VACATION CLUB and World's Fair Club patrons are apt to find themselves in a quandary when it comes to planning the trip to either of the fairs this year—New York or San Francisco. Accommodations, above all, will be difficult to

GENERAL  ELECTRIC
MAZDA LAMPS



304° BELOW ZERO

THESE TWO TANKS illustrate one good reason why General Electric MAZDA lamps give more light this year.

The tanks contain argon, the inert gas used to help make G-E bulbs stay brighter longer. The drier the argon, the more efficient the lamp. Moisture in the argon is frozen out with liquid air at a temperature of -304° F. This year's G-E MAZDA lamps give more light because they contain a higher percentage of this argon.

This process is only one link in the chain of General Electric research and development that is making each year's G-E lamps give more light for the current consumed. General Electric Co., Nela Park, Cleveland, O.

Toonerville Folks



BELL SYNDICATE
BANKING

arrange. Banks wishing to follow through for their patrons may do so simply by publicizing the special exposition tours arranged from any destination by the American Express Company in cooperation with all railroads. In connection with the patron's ticket, he may purchase from his local railroad ticket agent, local travel agent or any American Express office, tickets for a complete visit to either fair. The tours take from 2 to 7 days and hotel accommodations are assured. This extra measure of service suggested by the bank as part of its World's Fair Travel Club should net new and satisfied customers.

Thrift Copy Tests

REGARDLESS OF PROCEDURE, copy testing at best is not conclusive, but it can give a fair picture of reader interest and a basis for determining copy effectiveness. Few tests have been made on bank advertising copy, but results of one of these covering a three-year period was released recently by Newell-Emmett Co., Inc., agency for the cooperative advertising account of some New York savings banks.

Reflecting not only the effectiveness of the advertisements but the more general interest in the topic of savings and savings banks, the results of the test reveal that, whereas other bank advertisements ran about 23.4 per cent remembered in the minds of newspaper readers, the savings banks' messages have had as high as 51.5 per cent attention power.

The complete series was based on the picture-caption technique, varied from an overall picture and minimum 100-word caption, to a picture series and captions with a central illustration. Photographs and line drawings and combinations of both were used.

ONE HUNDRED YEARS OF BANKING SERVICE: 1839-1939

Guaranty Trust Company of New York

FIFTH AVE. OFFICE
Fifth Ave. at 44th St.
LONDON PARIS

MAIN OFFICE
140 Broadway
BRUSSELS LIVERPOOL

MADISON AVE. OFFICE
Madison Ave. at 60th St.
HAVRE ANTWERP

Condensed Statement of Condition, December 31, 1938

RESOURCES

Cash on Hand, in Federal Reserve Bank, and

Due from Banks and Bankers	\$ 788,474,638.41
U. S. Government Obligations	486,310,848.29
Public Securities	48,921,515.25
Stock of the Federal Reserve Bank	7,800,000.00
Other Securities	20,506,621.56
Loans and Bills Purchased	528,846,450.25
Credits Granted on Acceptances	20,989,416.36
Bullion Abroad and in Transit	173,463.00
Items in Transit with Foreign Branches	5,571,535.22
Accrued Interest and Accounts Receivable	18,428,401.02
Real Estate Bonds and Mortgages	2,115,836.92
	<u>1,928,138,726.28</u>
Bank Buildings	12,143,011.51
Other Real Estate	1,483,922.92
Total Resources	<u>\$1,941,765,660.71</u>

LIABILITIES

Deposits	\$1,597,492,947.40
Outstanding Checks	22,485,473.06
	<u>1,619,978,420.46</u>
Acceptances	\$37,336,308.38
Less: Own Acceptances	
Held for Investment	<u>16,346,892.02</u>
	<u>20,989,416.36</u>
Liability as Endorser on Acceptances and Foreign Bills	3,914,858.00
Dividend Payable January 3, 1939	2,700,000.00
Miscellaneous Accounts Payable, Accrued Interest, Taxes, etc.	<u>21,374,545.57</u>
Capital	\$ 90,000,000.00
Surplus Fund	170,000,000.00
Undivided Profits	<u>12,808,420.32</u>
Total Capital Funds	<u>272,808,420.32</u>
Total Liabilities	<u>\$1,941,765,660.71</u>

Securities carried at \$20,553,154.84 in the above Statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

WILLIAM C. POTTER, Chairman W. PALEN CONWAY, President
EUGENE W. STETSON, Vice-President

DIRECTORS

GEORGE G. ALLEN	Director, British-American Tobacco Company, Limited, and President, Duke Power Company	JOHN A. HARTFORD	President, The Great Atlantic & Pacific Tea Company
W. PALEN CONWAY	President	DAVID F. HOUSTON	President, The Mutual Life Insurance Company of New York
CHARLES P. COOPER	Vice-President, American Telephone & Telegraph Company	CORNELIUS F. KELLEY	President, Anaconda Copper Mining Co.
JOHN W. DAVIS	of Davis Polk Wardwell Gardner & Reed	MORRIS W. KELLOGG	President, The M. W. Kellogg Company
ARTHUR C. DORRANCE	President, Campbell Soup Company	FREDERICK P. KEPPEL	President, Carnegie Corporation of New York
CHARLES E. DUNLAP	President, Berwind-White Coal Mining Company	THOMAS W. LAMONT	of J. P. Morgan & Co.
LEWIS GAWTRY	President, The Bank for Savings in the City of New York	CHARLES S. MUNSON	President, Air Reduction Company, Inc.
ROBERT W. GOELET	Real Estate	WILLIAM C. POTTER	Chairman of the Board
PHILIP G. GOSSLER	Chairman of the Board, Columbia Gas & Electric Corporation	GEORGE E. ROOSEVELT	of Roosevelt & Son
EUGENE G. GRACE	President, Bethlehem Steel Corporation	EUGENE W. STETSON	Vice-President
W. A. HARRIMAN	of Brown Brothers Harriman & Co.	CORNELIUS VANDERBILT WHITNEY	Banker
		GEORGE WHITNEY	of J. P. Morgan & Co.
		L. EDMUND ZACHER	President, The Travelers Insurance Company

(Member Federal Deposit Insurance Corporation)

As Easy As That



ASSOCIATED NEWSPAPERS

MANUFACTURERS TRUST COMPANY

*Condensed Statement of Condition as at close of business
December 31, 1938*

RESOURCES

Cash and Due from Banks	\$197,452,980.91
U. S. Government Securities	229,471,898.74
State and Municipal Bonds	20,620,238.86
Stock of Federal Reserve Bank	2,259,150.00
Other Securities	59,684,348.43
Loans, Bills Purchased and Bankers' Acceptances	206,827,429.24
Mortgages	21,784,733.11
Banking Houses	13,246,594.52
Other Real Estate Equities	4,591,040.39
Customers' Liability for Acceptances	10,870,741.06
Accrued Interest and Other Resources	2,496,438.63
	\$769,305,593.89

LIABILITIES

Preferred Stock	\$ 9,244,520.00
Common Stock	32,998,440.00
Surplus and Undivided Profits	45,129,356.66
Reserves	87,372,316.66
Common Stock Dividend (Payable January 3, 1939)	4,138,997.17
Preferred Stock Dividend (Payable January 15, 1939)	824,958.50
Outstanding Acceptances	231,113.00
Liability as Endorser on Acceptances and Foreign Bills	16,361,190.57
Deposits	4,890,940.24
	655,486,077.75
	\$769,305,593.89

DIRECTORS

EDWIN M. ALLEN <i>President, Mathieson Alkali Works, Inc.</i>	CHARLES FROEB <i>President, Lincoln Savings Bank</i>	JOHN P. MAGUIRE <i>President, John P. Maguire & Co., Inc.</i>
CHARLES K. BEEKMAN <i>Beekman, Bogue, Leake, Stephens & Black</i>	PAOLINO GERLI <i>Vice-President, E. Gerli & Co., Inc.</i>	HAYWARD NIEDRINGHAUS <i>President, Granite City Steel Company</i>
EDWIN J. BEINECKE <i>Chairman, Sperry & Hutchinson Co.</i>	HARVEY D. GIBSON <i>President</i>	C. R. PALMER <i>President, Cluett, Peabody & Co., Inc.</i>
EDGAR S. BLOOM <i>President, Western Electric Co., Inc.</i>	CHARLES L. HOGAN <i>President, Lone Star Cement Corporation</i>	GEORGE J. PATTERSON <i>President, Scranton & Lehigh Coal Co.</i>
JAMES H. CONROY <i>Executive Vice-President</i>	JOHN L. JOHNSTON <i>President, Lambert Company</i>	HAROLD C. RICHARD <i>New York City</i>
CHARLES A. DANA <i>President, Spicer Manufacturing Corp.</i>	OSWALD L. JOHNSTON <i>Simpson Thacher & Barrett</i>	HAROLD V. SMITH <i>President, Home Insurance Co.</i>
ELLIS P. EARLE <i>President, Nipissing Mines Co.</i>	CHARLES L. JONES <i>Executive Vice-President, National Distillers Products Corp.</i>	GUY W. VAUGHAN <i>President, Curtiss-Wright Corporation</i>
HORACE C. FLANIGAN <i>Vice-President</i>	GEORGE MACDONALD <i>Capitalist</i>	HENRY C. VON ELM <i>Vice-Chairman</i>
	SAMUEL McROBERTS <i>New York City</i>	

Principal Office: 55 Broad Street, New York City

64 BANKING OFFICES IN GREATER NEW YORK

European Representative Office: 1, Cornhill, London, E. C. 3

Member Federal Reserve System
Member New York Clearing House Association
Member Federal Deposit Insurance Corporation

Both Common and Preferred shares have a par value of \$20 each.
The Preferred is convertible into and has a preference over the
Common to the extent of \$50 per share and accrued dividends.

The highest rating (51.5 per cent) was reported for an advertisement which coincided with the widespread advertising of the movie, "You Can Take It With You," and the feature of Lionel Barrymore. Aside from the appearance of this famous personality agency officials believe that the practice of quoting much of the copy, and breaking it up into four parts under as many pictures, was partly responsible for the effectiveness. A poster type insertion, which pictured a crowd of interesting people with very brief copy, ranked second with a recognition mark of 40.8 per cent.

Conclusions on the study indicate a good average for picture-caption styles in layout, and that famous personalities and well known phrases add to effectiveness.

Colorful Converts

HERE IS A WAY to get plus value out of the composition and plate costs of advertisements, which are usually junked after completing a trade journal run. The idea is borrowed from the State-Planters Bank and Trust Company of Richmond, Virginia. This bank recalls its plates, breaks them down for two color combinations by adding a tone or solid background and runs off reprints as envelope stuffers. The addition of color gives a striking effect. There is also a tie-in value to the trade journal schedule.

Profitable Check Cashing

WE HASTEN TO ADD a bit of much deserving applause for the enterprising ideas which have sprung up of late and gone a long way toward solving the problem of cashing the customer's check—profitably. The first instance in mind was developed by Harry J. Meyer, cashier, United National Bank, Cliffside Park, New Jersey. The problem, the counterpart of which may be found in every bank in industrial communities, was briefly this: The usual pay-day stampede of check-cashing employee-customers who disrupt normal routine work schedules for the entire bank staff. The situation was even more vexing in this case as checks were largely on concerns which carried no balances in the bank.

What, from the bank's viewpoint, seemed a practical and satisfactory solution to the problem and one that would continue to meet the needs of employees, was submitted to plant officials. For a nominal monthly fee paid by the plant the bank agreed to cash salary checks of any or all em-

(CONTINUED ON PAGE 70)

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KING



NOISE WENT DOWN

YOU wouldn't expect employees to do good work in badly lighted or badly heated offices. Yet are you overlooking the fact that *uncontrolled sound* can cut down a worker's efficiency as much as 25%? Noise . . . often even "ordinary" noise . . . can cost real money by increasing mistakes and by putting a brake on productive effort. Why not get rid of this liability—with ACOUSTONE®?

Acoustone is a better investment because it combines proved and scientific sound control with distinguished beauty of color and texture . . . because it has exceptionally high light reflection . . . because it requires no maintenance other than occasional vacuum cleaning. Easily applied, Acoustone needs no paint, yet can be painted without damage to its sound absorbing ability. Let us show you how to increase office efficiency with Acoustone. Mail the coupon!

A COMPLETE ACOUSTICAL SERVICE FOR EVERY NEED AND POCKETBOOK

USG has developed a full range of materials for sound control, fitting every need and pocketbook and including ACOUSTONE®, Sabinite Acoustical Plaster, Perfatone,

Quietone and the USG System of Sound Insulation. The competent advice of experienced USG acoustical engineers costs nothing—and is yours for the asking.

UNITED STATES GYPSUM COMPANY

300 West Adams St., Chicago, Illinois

*Reg. trade-mark



UNITED STATES GYPSUM COMPANY

300 West Adams Street, Chicago, Ill.
Please send me information on acoustical treatments.

Name.....

Address.....

City..... State.....

B-2

METHODS—Continued

ployees wishing this accommodation. The amount of the fee is determined by the number using the service. The value, fairness and convenience of the plan was readily subscribed to by various large concerns. The effect was threefold: the bank turned a hazard into an income producing operation, the employing concern has its workers' checks cashed conveniently, and no "consideration" is paid out of employee salaries for the courtesy.

Dual identification cards expedite the work of the paying teller; one is

issued to the employee and the other is retained by the bank. By means of this "tickler" system, the busy paying teller has before him at a moment's notice the exact status of any account, enabling him to use his judgment in the transaction.

Buying Checks

FOR SEVERAL MONTHS past The Amalgamated Bank of New York City has operated a "check-buying" service for depositors, and has found it both popular and profitable. The bank's immediate trading area is made up of small wholesale and manufacturing concerns

which operate on limited capital, although their trade is usually with concerns of high credit standing. The time element of check collection is therefore something to be avoided, and the only other means of obtaining immediate cash is the mushroom growth of check-buying individuals and syndicates which charge exorbitant rates.

To overcome the objections against the policy of advancing funds on uncollected items, the bank buys the check from the customer as it would discount a note or buy a bill of exchange. Thus the bank becomes the owner of the check, and immediate credit is given to the customer's account, less 6 per cent interest for three or five days as the case may be.

There is a minimum fee of 15 cents, which is the equivalent of the above interest on a \$300 check.

One of the chief advantages in buying the check is the fact that in the event of stop-payment, suits brought under the Negotiable Instruments Act quickly cancel the order.

The check of a high-grade maker and high-grade bank is considered at the bank to be two-name paper of the best sort. The need for the service is seen by the fact that two or three employees devote full time to this special department. More than 50,000 checks, totalling over \$10,000,000 in value, were bought by this department of the Amalgamated in 1937.

Number One Job

WITH AN ORDER of zeal worthy of a wholesome cause the public relations committee of the Oregon Bankers Association recently announced the selection of a public relations officer for each bank in the state.

The plan is based on the sound theory that the job of public relations begins at home and that it is essential to earn the respect—and the friendship—of fellow townsmen before it is possible to earn the confidence of the public at large. The objective of the program is to encourage chambers of commerce, luncheon clubs, civic and other groups to call on the services of the local public relations officer for talks on banking and the discussion of related subjects.

Each member of this mammoth state committee acts as a liaison officer for his own bank in all community activities into which might be injected bank public relations. It sounds like an ambitious job, but the record maintained by the Oregon Association in past years is already proof that it can be done.

STATEMENT OF CONDITION

Mercantile-Commerce Bank and Trust Company

Locust & Eighth ~ St. Charles
St. Louis

DECEMBER 31, 1938

THE RESOURCES

Cash and Due from Banks	\$46,926,456.58
U. S. Government Obligations, direct and guaranteed—	
(Pledged) \$14,078,842.81	
(Unpledged) . . . 54,906,973.94	68,985,816.75
	\$115,912,273.33
Other Bonds and Securities—	
(Pledged) None	
(Unpledged) . . . 26,868,284.98	26,868,284.98
Demand Loans	6,782,622.26
Real Estate Loans	6,481,520.26
Time Loans	14,037,028.17
Stock in Mercantile-Commerce Company	54,169,455.67
<i>(As authorized by the Banking Act of 1933, the Mercantile-Commerce Company is a wholly owned subsidiary of this Bank, with no Liabilities. Its Assets consist entirely of U. S. Government Obligations, carried at par.)</i>	6,600,000.00
Stock in Federal Reserve Bank in St. Louis	390,000.00
Real Estate (Company's Building)	2,350,000.00
Safe Deposit Vaults	500,000.00
Other Real Estate (Former Bank of Commerce Bldgs.)	1,500,000.00
Overdrafts	6,616.64
Customers' Liability on Acceptances and Letters of Credit	230,484.20
Other Resources	80.00
	\$181,658,909.84

THE LIABILITIES

Capital Stock	\$10,000,000.00
Surplus	3,000,000.00
Undivided Profits	\$2,781,747.05
Reserve for Dividends Declared	300,000.00
Reserve for Contingencies	540,230.66
Reserve for Interest, Taxes, etc.	236,566.98
Unpaid Dividends	3,246.80
Bank's Liability Account Acceptances and Letters of Credit	230,484.20
Deposits, Secured: Public Funds . . . \$12,438,103.93	
Other Deposits, Demand	119,613,385.80
Other Deposits, Time	32,515,144.42
	164,566,634.15
	\$181,658,909.84

All Securities pledged are to the U. S. Government or its Agents, State of Missouri and the City of St. Louis, to secure deposit and fiduciary obligations.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Broader F.D.I.C. Coverage

THE Federal Deposit Insurance Corporation has determined that a change of insurance protection from the present \$5,000 maximum for each depositor to \$10,000, as proposed in a bill submitted to the last Congress by Representative Steagall, chairman of the House Banking and Currency Committee, would increase insured deposits by \$3,000,000,000. Also, a change to \$25,000 maximum would increase protected deposits \$7,000,000,000. These amounts would be in addition to the \$21,700,000,000 estimated to have been insured on September 21, 1938.

A \$10,000 provision would have insured 51 per cent of the \$48,200,000,000 of deposits reported by the banks, while a \$25,000 provision would have insured 59 per cent of the deposits. These figures may be compared with insurance of 45 per cent under the present law.

The information compiled by the F.D.I.C. was obtained from reports from 13,705 insured commercial banks showing the distribution of their accounts and deposits as of September 21, 1938, which was the call date decided upon following introduction of the Steagall bill. This measure did not get out of committee.

SIZE OF ACCOUNTS

OF the 61,392,000 accounts reported, there were 429,000 with balances of more than \$10,000 each and only 174,000 with balances of more than \$25,000 each. As a consequence, a maximum coverage of \$10,000 would have provided full insurance protection to 99.3 per cent of the accounts, while a maximum of \$25,000 would have provided full protection to 99.7 per cent of the accounts. Under existing law 98.4 per cent of the accounts are estimated to be fully protected by insurance.

The number of banks whose deposits were insured 100 per cent would have increased to 2,078 with a \$10,000 limitation and to 6,001 with a \$25,000 limitation. These banks held deposits of \$397,000,000 and \$2,068,000,000, respectively. With the present \$5,000 limitation all deposits in 456 banks, amounting to \$51,000,000, were fully protected. Under a \$10,000 provision deposits would have been insured 80 per cent or more in 11,580 banks, compared with 12,790 banks under a \$25,000 provision and 9,566 banks under the \$5,000 provision.

THE NATIONAL CITY BANK OF NEW YORK

Head Office · 55 WALL STREET · New York

Condensed Statement of Condition as of December 31, 1938

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS	
Cash and Due from Banks and Bankers	\$ 531,718,844.27
Bullion Abroad or in Transit	6,490,724.61
United States Government Obligations (Direct or Fully Guaranteed)	668,795,810.07
Obligations of Other Federal Agencies	40,428,883.99
State and Municipal Securities	86,257,122.95
Other Securities	68,758,413.61
Loans, Discounts and Bankers' Acceptances	521,981,489.03
Customers' Liability for Acceptances	12,288,747.10
Stock in Federal Reserve Bank	3,705,000.00
Ownership of International Banking Corporation (Including Paris Office)	8,000,000.00
Bank Premises	46,556,997.28
Other Real Estate	757,883.12
Real Estate Loans and Securities	9,404,804.12
Items in Transit with Branches	2,956,756.08
Other Assets	1,081,163.58
<i>Total</i>	<i>\$2,009,182,639.81</i>

LIABILITIES	
Deposits	\$1,835,286,500.36
Liability on Acceptances and Bills	34,485,834.01
Less: Own Acceptances in Portfolio	10,026,957.06
<i>Total</i>	<i>24,458,876.95</i>
Reserves for:	
Unearned Discount and Other Unearned Income	3,420,666.27
Interest, Taxes, Other Accrued Expenses, etc.	5,361,656.55
Dividend	3,100,000.00
Capital	\$77,500,000.00
Surplus	46,500,000.00
Undivided Profits	13,554,939.68
<i>Total</i>	<i>137,554,939.68</i>
<i>Total</i>	<i>\$2,009,182,639.81</i>

Figures of Foreign Branches are as of December 24, 1938.

\$44,468,617.25 of United States Government Obligations and \$27,719,950.78 of other securities are deposited to secure \$48,317,828.43 of Public and Trust Deposits and for other purposes required by law.

(Member Federal Deposit Insurance Corporation)

GOOD *Stationery* CREATES
GOOD WILL

THE INSTITUTE OF
BANK STATIONERS
120 WALL STREET, NEW YORK



WASHINGTON

Housing

THE United States Housing Authority started the new year with 140 slum clearance and low rent housing projects in 73 cities in 22 states, the District of Columbia and the Territory of Hawaii. These projects were under contracts calling for loans totaling \$320,986,000, which represents 90 per cent of the cost of the projects. The Authority has also allotted \$328,803,000 for loans to 123 communities, bringing

its actual commitments to a total of \$649,789,000. The Authority is now maintaining low rent modern housing for a little more than 20,000 families.

During the year projects now under construction will be completed to house an additional 9,000, while work will be commenced upon undertakings to house between 75,000 and 80,000 more. The Authority has allotted the whole of its \$800,000,000 fund, but Congress will undoubtedly provide additional money

for this work, the only question being how much.

Railway Fares

MOST RAILWAYS in the eastern area are again leaning to the low passenger fare idea. The increase in fares announced last July was followed by a severe slump in passenger traffic and a drop in passenger earnings below the level under former rates. During the holidays special low rates announced by many roads resulted in an immediate increase in traffic and earnings. The logic of the situation is quite evident and management, which formerly insisted upon higher fares, is now apparently convinced that the low rate advocates were right.

In Congress, meanwhile, much attention is being given to a scheme which would establish, by law, unheard-of low rates on a zone system with the idea of filling the coaches and employing railway plants to their maximum capacity—an application of the mass production idea to transportation in the expectation that it will be as successful there as it has been in industry.

Steel

THE SMALLER STEEL COMPANIES are complaining that they are not getting their fair share of new business and that the reported production-capacity ratio does not fairly represent their position. The chief reason for this seems to be that several leading concerns are in a better position by reason of size, better integration and equipment to handle the orders for heavy products which are now going out. Moreover, recent labor, work hours, and other restrictions and tax increases work more adversely against the little fellow. There is more in this matter than mere earning inequalities. Widely distributed employment is far better for the country and for industry as a whole than the concentration of activity in a few favored districts.

Assets

CORPORATIONS and credit agencies of the United States Government started the new year with assets of \$13,135,685,717. Loans accounted for \$7,644,644,156; preferred stock for \$781,414,492; real estate and business property, \$1,130,942,774 of which \$678,710,981 was for sale; and the rest in all sorts of stocks, bonds and similar assets related

(CONTINUED ON PAGE 74)

NATIONAL BANK OF DETROIT

STATEMENT OF CONDITION, DECEMBER 31, 1938

RESOURCES

Cash on Hand and Due from Other Banks	\$135,480,314.32
United States Government Obligations, direct and/or fully guaranteed	204,981,891.44
Other Securities	8,935,298.48
Stock in Federal Reserve Bank	750,000.00
Loans and Discounts	61,792,433.92
Real Estate Mortgages	9,576,582.04
Overdrafts	7,615.18
Real Estate (24 Branch Bank Buildings)	775,168.49
Accrued Income Receivable	981,370.00
Prepaid Expense	241,939.01
Customers' Liability Account of Acceptances and Letters of Credit	1,692,643.94
TOTAL RESOURCES	\$425,215,256.82

LIABILITIES

Deposits:	
Commercial, Bank and Savings	\$348,863,068.79
U. S. Government	16,939,281.10
Treasurer—State of Michigan	2,866,556.16
Other Public Deposits	22,904,965.46
Capital Account:	\$391,573,871.51
Preferred Stock (380,000 Shares)	9,500,000.00
Common Stock (750,000 Shares)	7,500,000.00
Surplus	8,000,000.00
Undivided Profits	5,227,615.04
Reserve for Common Stock Dividend No. 9, payable February 1, 1939	375,000.00
Reserves	1,340,490.60
Income Collected but not Earned	5,635.73
Our Liability Account of Acceptances and Letters of Credit	1,692,643.94
TOTAL LIABILITIES	\$425,215,256.82

United States Government securities carried at \$32,400,000.00 in the foregoing statement are pledged to secure public and trust deposits and for other purposes required by law.

Member Federal Deposit Insurance Corporation



Their Pleasure Need Not Be Your Headache



Attractiveness that charms the eye—conveniences that modern families want—PLUS the inherent quality that minimizes repair and replacement costs! That's why Crane bathrooms are a sound investment from the lender's standpoint, as well as attractive to buyers and renters.

THIS family is experiencing the joy of living—in a Crane-equipped home. They are savoring the benefits of a Crane Family-Planned Kitchen... a kitchen that combines step-saving efficiency with full recognition of human needs. They are enjoying the charm and extra convenience of a Crane bathroom. Yet their pleasure need not be YOUR headache, for Crane-Equipment is a better investment from the standpoint of the lending agency.

Better because Crane-Equipment has the inherent quality that minimizes repair and replacement cost. Better because conservative Crane styling

will not be out of date years from now.

In kitchens, bathrooms and heating systems, Crane Quality gives you assurance of a higher dollars-and-cents return if property should return to your hands. A single dependable source for all plumbing and heating—backed by a single responsibility—is an added advantage offered by Crane. And because Crane-Equipment is available in every price range, you can enjoy its protection in every property you finance. Judge Crane Quality for yourself. Visit the local Crane Display Room or consult a Crane Plumbing Contractor.

CRANE

CRANE CO., GENERAL OFFICES: 836 SOUTH MICHIGAN AVE., CHICAGO

VALVES • FITTINGS • PIPE • PLUMBING • HEATING • PUMPS

NATION-WIDE SERVICE THROUGH BRANCHES, WHOLESALERS, PLUMBING AND HEATING CONTRACTORS

Guardsman
illumination
**ATTRACTIVE
EFFICIENT . . .**



Model 2242
Price \$11.00

• Executive offices equipped with Guardsman lamps extend a dignified cordiality to business callers. Their illumination is pleasingly free from glare, permitting all within the lighted area to see with ease and comfort. Guardsman lamps come in a variety of styles and finishes to meet any need.

Complete descriptive folder sent on request.

Natural-Light
**INCREASES SPEED
REDUCES ERRORS**



Model 1989
Price \$11.00

• Artificial light, to be most efficient, must approximate daylight. Natural-Light, like daylight, is properly distributed over the working area. General office workers find that these lamps speed up work, reduce errors, and relieve eyestrain and fatigue. Better dealers stock them in clamp-on desk, desk and floor portable models.

If your dealer cannot supply genuine Faries Lamps,
please write us.

FARIES MFG. CO.
and S. Robert Schwartz, Div. B
DECATUR, ILLINOIS

(CONTINUED FROM PAGE 72)

to their respective activities and \$348,878,530 in cash.

Silver

THE CONTINUANCE of the Government's silver purchase policy by the President to June may mean much or little. That depends upon Congress. On January 1 the Treasury held silver to the value of \$2,227,279,959, of which \$586,958,137 was in the General Fund. The Treasury's gold holdings on that date were \$14,511,224,996. The 75-25 ratio planned in the Silver Purchase Act has long since been lost in the shuffle.

Per Capita Debt

ON MARCH 31, 1917, just previous to the entry of the United States into the World War, the gross per capita debt of the United States was \$12.36. On August 31, 1916, when the war debt was at its peak the debt per capita was \$250.18. On December 31, 1930, at its lowest post-war point, it was \$129.66, and on December 31, 1938, it was \$301.68. The average American family, accordingly, owes around \$1,500 on account of its Government in Washington and around a thousand dollars more on account of its state, municipal, county and other governments or their subsidiaries.

Gold

GOLD STOCKS of the United States last year increased by \$1,748,000,000; in 1937 by \$1,502,500,000; in 1936 by \$1,132,500,000; in 1935 by \$1,887,200,000; and in 1934 by \$4,202,500,000 when the dollar was revalued.

Reinvestment Demand

YEAR-END INTEREST and dividend payments and bond redemptions have resulted in an insistent demand for high grade securities during the past month which current new issues have been insufficient to meet. Steadily mounting prices are an inevitable result with sound state and city bonds favorites in the running.

Real Estate Liquidation

DURING THE ELEVEN MONTHS ending November 30, savings banks in the State of New York acquired new real estate under foreclosure to the value of \$61,291 and disposed of property of a "book value" of \$62,375,000 for an aggregate of \$65,195,000. On the date given they held property carried on their books at \$396,956,000, representing mortgages of a principal amount of \$402,608,000.

**Serving the
Business that
Builds Baltimore**
SINCE 1894



**MARYLAND
TRUST COMPANY**
BALTIMORE

Member of the Federal Reserve System and of the Federal Deposit Insurance Corporation



ENJOY the splendorous restfulness of a historic hotel modernized to suit present-day travelers. Two blocks from the White House, convenient to shops, theatres, public buildings. Get FREE Washington and Willard literature — Write TODAY! Plan to stay at "The Residence of Presidents."

The
WILLARD HOTEL
WASHINGTON, D. C.
H. P. SOMERVILLE, Managing Director

BANKING

Reserve Bank Earnings

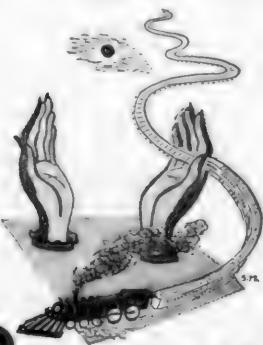
PRELIMINARY FIGURES given out by the Federal Reserve Board show that the Reserve banks last year had current earnings of \$36,261,000, or \$4,972,000 less than in 1937, while their expenses increased by \$111,000. Current net earnings were \$7,350,000, as compared with the \$12,433,000 the year before. The amount available for distribution in dividends, surplus and the like was \$9,582,000, as compared with \$10,-801,000. After the payment of member bank dividends and certain taxes to the Treasury the net addition to surplus was \$1,443,000.

Ships

ACTIVITY in the shipbuilding industry in the United States is now at a higher level than at any other time since the World War. There are now under construction in American yards merchant ships of over 1,000 tons to a total tonnage of 534,000 — a volume approximately 300,000 tons above the level of the same period last year.

The Baby is Growing

WITH A RECORD SALE of \$11,583,580
maturity value of baby bonds on Janu-



DOUBLY HANDY

Opening through its own passage-way directly into Grand Central Terminal, the Hotel Roosevelt offers you perfect convenience on your arrival in New York . . . And because of its location at the heart of Manhattan's great mid-town section, it affords the same kind of convenience for all outside activities . . . Doubly handy and doubly enjoyable . . . Large outside rooms, with both tub and shower—from \$5.

HOTEL ROOSEVELT

BERNARD G. HINES, Managing Director
MADISON AVE. AT 45th ST., NEW YORK
Direct Entrance to Grand Central Terminal.

ONLY 20 MINUTES BY EXPRESS SUBWAY TO THE WORLD'S FAIR

ary 6, the total of these securities issued to that date was \$2,086,810,380. They are no longer an infant industry.

Life Insurance Capital Loans

SEVERAL MONTHS AGO the Equitable Life Assurance Society of New York started the business of making loans, usually of a serial sort, to small business concerns, and it now appears that several other insurance companies, notably Prudential, are about to adopt similar loan policies. Apparently the Equitable has acquired a considerable volume of business in this line. Some of the loans

are made on real estate mortgages so as to reduce the cost to the borrower. In other cases debenture bond issues are used.

In either case the amount loaned depends more upon the earning record of the borrower than upon the collateral offered. Amounts are generally limited to a maximum of a million dollars. The new loan policy of the companies, of course, is a reflection of the difficulty small business concerns have in securing capital loans in comparatively small amounts under Securities and Exchange Commission registration and other requirements.

CITIZENS NATIONAL TRUST & SAVINGS BANK *of LOS ANGELES*

ORGANIZED 1890

**Member Federal Reserve System
Member Federal Deposit Insurance Corporation**

**Condensed Statement of Condition
at close of business December 31, 1938**

RESOURCES

Cash and Due from Banks	\$27,169,027.50
United States Obligations, Direct or Fully Guaranteed	35,250,804.41
State, County, and Municipal Bonds	3,184,852.26
Other Bonds	2,007,087.17
Loans and Discounts	50,169,172.21
Federal Reserve Bank Stock	244,650.00
Stock in Commercial Fireproof Building Co.— Head Office Building	383,825.00
Bank Premises, Furniture and Fixtures and Safe Deposit Vaults (Including Branches)	1,055,833.78
Other Real Estate Owned	1,527,206.71
Customers' Liability under Letters of Credit and Acceptances	64,725.35
Earned Interest Receivable	341,015.34
Other Resources	695,543.58
TOTAL	\$122,093,743.31

LIABILITIES

Capital Stock	\$5,000,000.00
Surplus	3,155,000.00
Undivided Profits	<u>1,150,000.00</u>
	\$9,305,000.00
Reserves for Interest, Taxes, Dividends,	
Contingencies, Etc.	861,179.43
Letters of Credit & Liability as	
Acceptor or Endorser on	
Acceptances and Foreign Bills \$	943,268.71
Less: Amount in Portfolio .	<u>863,573.54</u>
	79,695.17
Other Liabilities	41,428.19
Deposits	<u>111,806,440.52</u>
TOTAL	\$122,093,743.31

**Head Office: Spring Street at Fifth, Los Angeles
BRANCHES THROUGHOUT LOS ANGELES**

Anti-Crime School Session

THE TENTH SESSION of the National Police Academy of the Bureau of Investigation of the Department of Justice is now schooling a new class of police officers in crime prevention and detection. One significant fact to be noted is that the police-pupils include Assistant Commissioner Col. J. R. Roche of the Quebec Provincial Police, indicating the close cooperation between Dominion and United States officers in crime-prevention and detection matters, a factor of the highest value to both countries. Since its beginning the school in Washington has trained 295 officers,

who in turn have trained approximately 75,000 fellow officers in law enforcement.

Regional Stock Exchanges

SECURITY EXCHANGE authorities anticipate the establishment of a regional stock exchange in the South as a development of their plan to decentralize the securities exchange business and take financial control from New York and Chicago.

The policy of the Securities and Exchange Commission is to place the control of local business in local business men and local institutions.



Statement of Condition

**At the Close of Business,
December 31, 1938**

ASSETS

Cash on Hand and Due from Banks	\$50,608,321.95
United States Securities Owned	23,057,675.69
Stock in Federal Reserve Bank	318,000.00
Other Stocks and Bonds	3,038,500.44
Loans and Discounts	46,843,355.57
Furniture and Fixtures	293,571.44
Banking House	2,345,000.00
Other Real Estate	1,282,752.70
	<hr/>
	\$127,787,177.79

LIABILITIES

Capital Stock	\$ 8,000,000.00
Surplus Fund	2,600,000.00
Undivided Profits, Net	3,582,517.80
Reserved for Taxes, Etc.	434,153.86
	<hr/>
Deposits	
Individual	\$67,794,279.44
Banks and Bankers	36,040,882.23
U. S. Government	9,335,344.46
	<hr/>
	113,170,506.13
	<hr/>
	\$127,787,177.79

FIRST NATIONAL BANK

in DALLAS

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Significant Dollars

UNDER ITS POLICY of "the good neighbor", the Federal Government in Washington has seen to it that the Export-Import Bank of Washington has opened up lines of credit to governments or government-approved corporations or individuals in Latin America in amounts considerably in excess of \$100,000,000. A credit in favor of the government of China was opened in December in the amount of \$25,000,000. These are considered merely the beginning in each case. In a large proportion of cases commercial banks in this country are participating in the loans.

An illustration of what is being done is afforded in the loan of \$15,000,000 to the International Telephone and Telegraph Company for the extension of its lines and services in certain Latin American countries. One-third of this loan was taken by a group of New York banks, although the loan has a maturity of ten years. Banks of the manufacturing and exporting interests concerned in the credit to China have indicated that they will take up to 40 per cent of the advances to that country. In other cases participation of banks runs from 20 to 40 per cent. Some of the loans are not susceptible to bank participation because of their long term, but where it is at all possible to do so the Export Bank urges and in every way favors bank participation. That, in fact, is the basis upon which the Export Bank was founded. The purpose of the institution is to supplement commercial bank service.

The significance of recent commitments is that they are largely in line with a new and more aggressive policy of the Government. Many of the commitments and of the loans already made have considerable international political significance. Whatever their implications, the loans are sound. So far the Export Bank has met with no substantial losses. Of over \$62,000,000 actually disbursed up to January 1, approximately \$32,000,000 has been repaid, though most of the loans are of comparatively long term. Even Mexico is making payments as they come due.

During December outstanding loans jumped from \$15,499,884 to \$26,200,642. Under recent commitments they are expected to advance rapidly in the near future. The prospective business under these commitments is such that the capital of the bank was advanced from \$21,000,000 to \$46,000,000 in December. With undivided profits of \$1,291,480 and other reserves the capital funds are \$47,470,619.

— GEORGE E. ANDERSON

BANKING

Idle from Necessity

THE advisability of creating new types of Government-sponsored lending agencies has been questioned recently by the New York State Superintendent of Banks, William R. White, and by the executive committee of the state chamber of commerce.

In his report to Governor Lehman and the legislature, Superintendent White said: "Those who espouse the formation of additional Government lending institutions should consider whether business and the public interest generally will be permanently benefitted if the Government endeavors to carry on services which the banks are able and willing to perform in the absence of actual or threatened Government competition."

NO FAULT OF BANKS

REPORTING that whereas deposits in state banks and trust companies at the end of September showed an increase of \$126,000,000 over the previous year, loans and acceptances had decreased \$75,000,000, Mr. White continued:

"This decrease, it is believed, is attributable to reduced demands by business, and does not indicate that banks are responsible for a curtailment of credit."

"According to the best information available to this department, the percentage of loan applications rejected has not increased during recent years. Banks nevertheless continue to be criticised by those who believe that more lenient loan policies should be adopted as a means of stimulating business activity. Such an argument is opposed to the important principle that the duty of bank management to safeguard the interests of depositors remains unchanged whether business conditions be depressed or prosperous."

ADJUSTMENT NECESSARY

"THIS does not mean that there is no affirmative action which banks can take in the interest of assisting business recovery. The situation is one which requires initiative and a willingness to consider credit needs in fields which in the past have not been actively cultivated by commercial banks. By adopting such a program, some banks have found it possible to broaden their services to their communities and at the same time to replace in some measure income formerly derived from short-term commercial credits. Given an opportunity to adjust themselves to

changed conditions, it is reasonable to believe that bankers will continue to meet adequately the credit needs of the nation."

The chamber committee said that lack of demand from business for credit-worthy bank loans was due to conditions that would not be improved by increasing loan facilities. The committee, whose chairman is William J. Graham, vice-president, Equitable Life Assurance Society of the United States, made

a study of the commercial loan situation following Washington reports that Congress might be asked to authorize the Government to insure business loans and to create a guarantee fund, possibly by imposing a tax on bank deposits.

Commenting upon this reported plan, the committee said:

"This proposal in effect may be said to be the Government's answer to the charge that the slowness of business



Insurance surveys are the order of the day.

The most important insurance carried by a financial institution is its B. B. B.—Bankers or Brokers Blanket Bond.

Our Ready Reference Digests of B. B. B.'s and related insurance will be found helpful in any survey.

Insurance brokers or our agents are always glad to provide the following informative Digests:

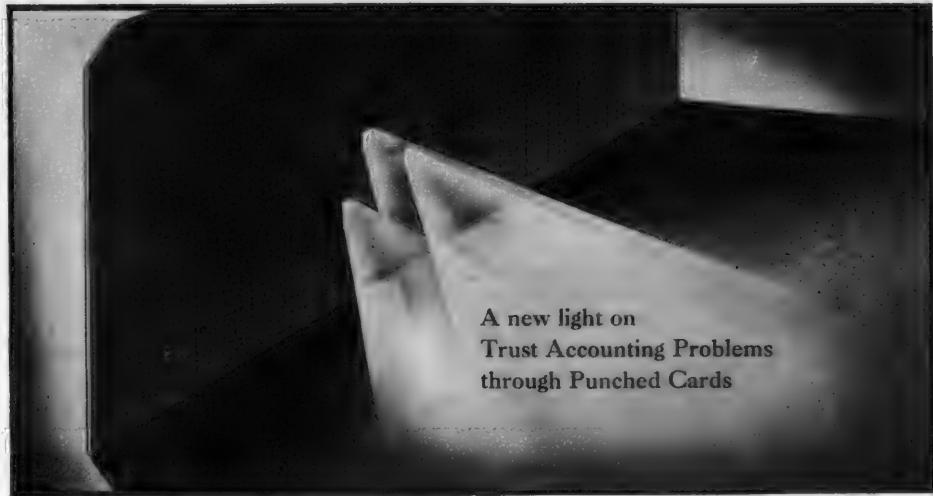
- Z-48 COMMERCIAL BANKS AND TRUST COMPANIES
- Z-41 STOCK BROKERS AND INVESTMENT BANKERS
- Z-35 BUILDING, SAVINGS AND LOAN ASSOCIATIONS



Both Companies write Fidélicity, Forgery and Surety Bonds and Casualty Insurance

AMERICAN SURETY COMPANY
NEW YORK CASUALTY COMPANY

HOME OFFICES: NEW YORK



A new light on
Trust Accounting Problems
through Punched Cards

REQUIRED INFORMATION AT YOUR COMMAND

No time wasted looking up indenture provisions

When the punched card method is used, the name of an account is always followed by a digest of the indenture provision under which it is administered. These provisions accompany the account name wherever it appears—on every schedule of assets, on every ledger sheet, and on every list of holders of a security.

If, for example, your committee is considering the sale of the holding of a security, it must know for each account—whether consents are to be obtained, whether re-investment in legals is required, whether you as trustee have power to retain.

With punched cards the committee is not obliged to refer independently to individual digest sheets to obtain the required information. The list of holders, prepared automatically by machines, will show all of these factors, and other account powers as well. Your committee can give individual attention to the requirements of each account. No time is wasted.

When attending the Mid-Winter Trust Conference, be sure to see the demonstration of the punched card accounting. Waldorf-Astoria Hotel, New York City. February 14-16, 1939.

TRUST OFFICERS APPRECIATE THESE ADVANTAGES

Closer Supervision of Accounts. Practically all reports for customers and operating divisions are prepared automatically and promptly . . . As information on schedules is complete, reference to other records is unnecessary.

More Economical Operation. One Manual recording of each entry posts all records and prepares all reports . . . Only one set of records is maintained. Duplicate records in income tax, investment and other divisions are discontinued . . . Manual preparation of reports is eliminated.

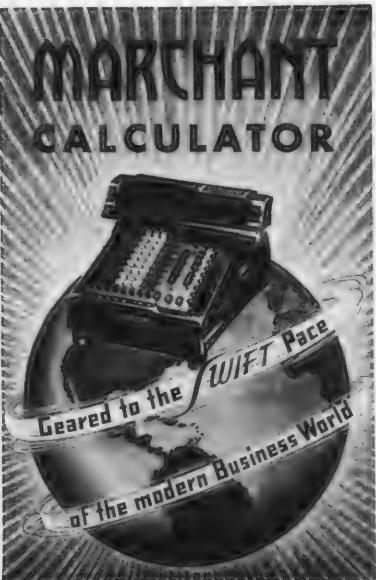
Protection Against Errors and Omissions. In addition to asset and cash controls, a control is established over all known income to be collected . . . Account and security titles are identical on all records and reports. Depositing the same security under different descriptions is impossible . . . Tabulated reports are in exact agreement with the records.

INTERNATIONAL BUSINESS MACHINES CORPORATION

World Headquarters Building
590 MADISON AVENUE, NEW YORK, N.Y.



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IN PRINCIPAL CITIES OF THE WORLD



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MARCHANT... SPEED with SIMPLICITY

Saves money for SMALL as well as LARGE Banks

MARCHANT CALCULATING MACHINE COMPANY
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Gentlemen:
You may send us MARCHANT BANK METHODS
as advertised, without obligation.

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80

B-2-39

More Capital for Real Estate

THE "most generally favorable situation" in interest rates and mortgage money supply ever recorded in the country's real estate history is found by the 32nd semi-annual survey of the realty market, compiled by the National Association of Real Estate Boards from confidential reports of member boards in 274 cities.

Four things stand out in the survey findings, says the Association. They are:

"1. Increased supply of capital available for real estate loans, and, even more important, continued tendency to lower interest rates.

"2. The beginning, however, of a differential between old and new residential properties due to difference in outlook for financing for these types of properties, a differentiation that city after city reports will be accentuated if FHA financing for existing homes is allowed to go out of existence on July 1, 1939 (as it will unless Congress acts to extend the date).

"3. Undersupply of single family dwellings in 34 per cent of the cities, despite the revival of home building and despite the appreciable new doubling up of families which accompanied business recession.

"4. Substantial activity in the market for homesites, evidence of preparation of family after family for new home building. Measurable upswing here, despite the recession in general business activity which began in the last months of 1937, is symptomatic of the underlying strength of the real estate outlook."

A FAVORABLE SITUATION

CAPITAL for mortgage loans is seeking investment in 77 per cent of the cities, the survey disclosed. Loans are seeking capital in only 13 per cent of the cities. This favorable situation is even more general than at the May 1937 peak.

Interest rates in 29 per cent of the cities are lower than last year at this time, when they were already the lowest in history. In 69 per cent of the cities, rates are steady at last year's level, and are rising in only 2 per cent of the cities.

"Asked to name the present actual rate at which first mortgage loans on new moderately priced homes are now most commonly being made in their communities," reports the Association, "38 per cent of the cities named a 5 per cent rate as common and 24 per cent

10 WORLD'S FAIR GRAND PRIZES
28 GOLD MEDALS
MORE OBSERVATORY ACCURACY
AWARDS THAN ANY OTHER TIMEPIECE

LONGINES
The World's Most Honored
WATCH

LONGINES WATCHES ARE SOLD ONLY BY AUTHORIZED LONGINES DEALERS AMERICA

Check In AT DE WITT OPERATED HOTELS

In Cleveland HOTEL HOLLENDEN

In Columbus THE NEIL HOUSE

In Akron THE MAYFLOWER

In Toledo THE NEW SECOR

In Jamestown, N.Y.
THE SAMUELS
and
THE JAMESTOWN

Theodore De Witt, President
R. F. Marsh, Vice-President

*The Hotels that check with every travel standard

named a $5\frac{1}{2}$ per cent rate. Four cities show a range going lower than 5 per cent, and one of these, a small town in the Middlewest, gives 4 per cent as its most usual interest cost for the buyer of a new moderately priced home, the lowest prevailing rate ever reported in such a survey.

"The 6 per cent rate is still common in the largest group of American cities and is reported by 43 per cent of those queried. Some cities instead of naming a single rate checked two or more rates as prevailing, and a number in so doing reported a differentiation prevailing as between FHA insured loans and other loans.

"Six months ago in a like survey the 6 per cent rate was checked as commonest in 53 per cent of the cities and a year ago it was commonest in 60 per cent.

"Whereas today the cost of mortgage money to the homebuyer ranges under 6 per cent in one out of every two cities of the country, this was true even recently as $2\frac{1}{2}$ years ago in only 30 per cent of our cities," the survey says.

"Four years ago the 5 per cent rate was in actual practice unknown except in 2 per cent of the cities reporting, and these were all eastern cities," it adds.

ALSO TO BE NOTED

OTHER cardinal points of the survey are:

"Market activity higher than last year at this time in 33 per cent of the cities reporting, and abreast with the rate which opened last year in 38 per cent. (The survey of six months ago found only 9 per cent of the cities more active and 74 per cent less active than they had been a year earlier. That was in comparison with the post-depression peak activity reached for real estate in May 1937.)

"Selling prices steady in 64 per cent of the cities. Up a median of 10 per cent in about one-eighth of the cities. Still affected by the recession in almost a quarter of the cities. Where they are down the median drop is 10 per cent. (Prices for residential property are forecast to rise during 1939 in 55 per cent of the cities reporting. Rise expected is ordinarily about 15 per cent.)

"Rents in the most stable situation of the post-depression period.

"The market for subdivision or suburban lots improved over last year at this time in one-third of the cities reporting. (Decline is shown in only one-sixth of the cities.)

"Vacant lots sold for homesites during the year exceeded considerably the number of homes built in the cities re-

porting. One hundred lots were sold for every 73 homes built. Homesite sales averaged one lot for every 243 persons in the urban population.

Home building reported by the identical cities averaged one new single family dwelling for every 337 people."

Rents for single family houses, which advanced steadily from 1934 to the end of 1937, have felt the effect of new residential construction and are stationary in 64 per cent of the cities reporting, says the survey.

"They are up in 15 per cent but lower than last year at this time in 21 per cent. The rise or drop, where it occurs, has been only about 5 per cent in the

average city. A 10 per cent rise, however, is reported by one quarter of the 'up' cities, and a 10 per cent drop by over a third of the 'down' cities. The national rent level for houses is now about 82 per cent of the level prevailing in 1926.

"Apartment rents are in a very stable situation. They are on a level with last year at this time in 69 per cent of the cities, higher in 15 per cent, lower in 16 per cent. The median rise is 5 per cent, though 29 per cent of the 'up' cities give their advance as 10 per cent. The median drop is likewise 5 per cent; about one-third of the cities where there has been decline give the amount as 10 per cent."

The advertisement features a large circular image of a Minneapolis-Moline tractor in a field. Above the circle is the company logo "MM" and the text "MINNEAPOLIS-MOLINE". Below the circle is the slogan "MODERN FARM MACHINERY". To the right of the main image is a large graphic with the words "POWER for PROFITS" in a stylized font. Below this graphic is a smaller inset image showing a close-up of a tractor's engine or mechanical part. The overall theme is the power and profitability of modern farm machinery.

TODAY'S farm profits are so definitely dependent upon the operation of modern power machinery, that all assistance on the part of MM dealers and local bankers to make possible its purchase, is a step toward general prosperity. Records prove conclusively that American business flourishes in direct proportion to the stability of agriculture.

This year thousands of dependable farmers deserving credit privileges, will be in need of additional MM machinery to cut production costs and increase profits. MM HARVESTORS are leading sellers because they do a better job at less cost. A sellout of production every year since 1934 proves something very definite. MM dealers and local bankers are in position to extend the necessary cooperation. Prosperity is more contagious than adversity. A larger income for the farmer soon makes itself felt in bigger business for the merchant and inevitably in more banking transactions. *Everyone prospers when the farmer prospers.*

WHY NOT GET ACQUAINTED WITH YOUR LOCAL MM DEALER

BRANCHES NEAR EVERYWHERE

MINNEAPOLIS-MOLINE
POWER IMPLEMENT COMPANY MINNEAPOLIS MINNESOTA

ASK BANKING

Safe Deposit Risks

• Considerable information regarding the three major risks which confront banks in their safe deposit departments is given in condensed form by the Fidelity and Casualty Company of New York in its booklet entitled **THE BANK IS IN THE MIDDLE**. The 12-page pamphlet cites a number of court decisions and lists points to look for in the safe depository liability policy, which are important and may easily be overlooked by the bank.

Modernization

• Before-and-after pictures of store fronts of different styles in many communities are shown in a booklet issued by the Pittsburgh Plate Glass Company under the title of **PRODUCING BIGGER PROFITS WITH PITCO STORE FRONTS**. One such building, of the type occupied by banks in the '90s, had stood vacant

for three years. Immediately after the new front was installed the owners received 47 applicants for leases, so the booklet states. This would indicate that it pays to modernize.

Protection

• Published primarily for the benefit of their field men, the **BANK QUESTIONNAIRE MANUAL**, issued by the American Surety Company of New York, is, in reality, a short course on protection methods in banks. It is arranged in question and answer form and divided into three main sections: Fidelity Hazard, Burglary and Robbery Hazard, Forgery Hazard. It is well worth reading by any bank officer, if only as a check on the methods being used in his bank, as it offers some very sound suggestions. It also contains a brief outline of classification of duties for the personnel of a small bank with four employees.

Questions and Answers

• Can you recommend any method of classifying loans in the note case that would give us quickly an indication of the quality of the notes?—X.Y.Z. Bank.

Notes can be marked in the upper corner in pencil to indicate liquidity and quality. One such method is as follows:

Class 1. Notes and credit lines secured by collateral that is readily marketable and has value amply sufficient to pay the indebtedness of the borrower at maturity.

Class 2. Notes and credit lines supported by financial statements which indicate that: (a) The borrower is in a liquid financial condition; (b) he can pay the debt at maturity without liquidating his business; (c) his current liquid resources are at least twice the current liabilities.

Class 3. Notes and credit lines secured by chattel mortgages covering properties that are for sale or are, at least, readily saleable. (Loans and credit lines that are in the nature of capital investment should not be included in this class.)

Class 4. Notes and credit lines secured by first mortgages on real estate where the security is ample and the borrower financially able to meet interest and principal payments when due.

Class 5. Notes and credit lines which are considered good and collectible over a period of time but are in the nature of capital investments and are known to be slow and more or less frozen.

Class 6. Notes and credit lines that have become

questionable, that need careful and continuous attention and contain the possibility of losses.

Naturally no note can be permanently classified. It needs to be examined and re-classified at regular intervals.

• Modern business is run on figures. Do you consider the record keeping systems in general use for accounting, purchasing and other departments up to date?—Van Auken-Ragland, Inc., Chicago, Ill.

As a rule, the various subsidiary records such as the individual books, transit and clearings department, etc., are operating more or less efficiently. In the great majority of banks, however, the general records leave considerable room for improvement. There are only two reasons for keeping records. These are (1) keeping a history of transactions, and (2) giving aid to management. It is in this latter classification that most general records are weak. As you say, "modern business is run on figures". Where, therefore, management is not being supplied with complete figures of current operations it is handicapping itself. Effective management control needs pre-analyzed statements which instantly reveal matters requiring executive attention. This is practically impossible unless the general records are built so that full information on any subject is readily procurable.

Coinsurance Clause

• Under the title of **THE REDUCED RATE CLAUSE** the Agricultural Insurance Company of Watertown, New York, gives a clear explanation of what the "co-insurance clause" really means, indicating properties to which this clause can, or cannot, be profitably applied. Many carriers of insurance have lost considerable amounts of money through not fully understanding the intricacies of insurance policies.

Filing

• An entirely new departure in filing methods is described in a booklet illustrating two styles of equipment manufactured by the Diebold Safe and Lock Company of Canton, Ohio. They literally put records on wheels. In one style, which is called the "Cardineer", the wheels revolve on the vertical plane. In the other, the "Reveldex",

they revolve horizontally. This equipment should be particularly useful for records which are being constantly referred to, such as signature cards, etc.

Accident Prevention

- Watch, a quarterly magazine published by the American Mutual Insurance Company of Boston, contains many pictures of common everyday accidents and shows how they can be avoided. Volume I Number 3 prominently displays the "red-tipped white cane" which was adopted eight years ago as a distinguishing mark for the blind. Though many cities assess fines for failure to stop a car when a "white cane" is crossing the street, there are probably many thousands of drivers who still do not understand its significance.

Information

- The Investors' Syndicate of Minneapolis has prepared an INFORMATION MEMORANDUM especially for bankers "so that they may be better able to answer questions which may come to them from their depositors." It contains a brief description of the company, its history, business, management policies and scope of operations and also a list of stocks and bonds owned as of December 31, 1937. It is in convenient form for filing and reference.

Each month Mr. E. S. Woolley, nationally known bank analyst, will review current booklets issued by concerns for the information of the banking market and to aid intelligent buying. Readers can save money and save time by using this department before purchasing supplies and equipment.

- Write to BANKING or to the companies direct. If you want us to obtain any booklets for you please write your request to this department. If you want advice on any operations problem send your question to us and we will answer it or suggest where you can find the answer promptly.

Film File

- The Recordak Corporation, 350 Madison Avenue, New York, has just published an illustrated folder showing the Recordak Desk-File which was recently placed on the market. The file contains six drawers and has a total capacity of 576 one-hundred-foot Recordak reels. Because of its convenient height, 36 inches, it can also serve as a working table for the small model Recordak which was announced a short time ago.

Adding

- The Allen Wales Adding Machine Corporation has just introduced three automatic grand total duplex machines besides the selective and grand total models previously announced. The difference between the two groups is that with the selective models the accumulating registers can be separated or combined.

In these automatic grand total models this selective feature has been eliminated.

STATEMENT OF CONDITION

December 31, 1938

BOARD OF DIRECTORS

FREDERICK H. PRINCE
F. H. Prince & Co., Providence, R. I.

ROBERT H. CABELL President, Armour & Company	JAMES A. McDONOUGH Investments, Providence, R. I.
ROBERT J. DUNHAM Investments	WILLIAM J. O'CONNOR Ass't General Manager, Union Stock Yard & Transit Co.
RICHARD HACKETT General Manager, Central Manufacturing District	DAVID H. REIMERS President, The Live Stock National Bank of Chicago
ORVIS T. HENKE Vice-President and General Manager, Union Stock Yard & Transit Co.	CLYDE H. SCHRYVER President, Chicago Merchandise and Equipment Co.
ARTHUR G. LEONARD President, Union Stock Yard & Transit Co.	THOMAS E. WILSON Chairman, Board of Directors Wilson & Company

RESOURCES

Cash and due from banks.....	\$ 16,283,894.50
United States Government Securities.....	5,614,665.21
State and Municipal Securities.....	1,068,935.87
Other Marketable Bonds.....	1,181,849.19
Loans and discounts.....	4,834,282.05
Federal Reserve Bank stock.....	67,500.00
Bank building.....	450,000.00
Furniture and equipment.....	1.00
Interest earned, not collected.....	48,820.54
Current receivables and other assets.....	89,194.64
<hr/>	
	\$ 29,438,923.10

LIABILITIES

Capital.....	\$ 1,000,000.00
Surplus.....	1,250,000.00
Undivided profits and reserves.....	376,457.88
Unearned Discount.....	23,588.72
Deposits.....	26,788,876.50
<hr/>	
	\$ 29,438,923.10

Member Federal Deposit Insurance Corporation
ESTABLISHED 1868

Those \$3 Safe Deposit Boxes

MANY of us whose institutions operate a safe deposit service in connection with our vaults persist in certain practices which are such that we would probably earn a considerably better profit if we should close up the shop and devote our energies to intelligent begging.

I refer primarily to the prevalent practice of renting safe deposit boxes at \$3 a year and even less, when we all know that we can't make a profit on any

such rental. We not only persist in renting them at \$3 and less, but we actually go out and spend our good money advertising the fact.

It is a common practice with department and other retail stores to pick out a number of items, price them at cost or even below, and then advertise them vigorously. Such items, of course, are known as loss-leaders. The merchants know from long experience that the customers whom the loss leaders attract

into the store will purchase enough articles in the general line of standard price merchandise to more than offset the loss incurred in the sale of the loss-leader items.

But in the safe deposit business we go to work and make a very large proportion of our stock in trade into a perpetual loss-leader, with no possible chance to make a compensatory sale unless it just happens that the customer cannot get all of his stuff into a \$3 box and has no choice but to rent a larger one.

I am not arguing against the \$3 box as such. There are undoubtedly some persons who have a genuine need for a safe deposit box and who actually can't afford to pay more than \$3 a year for it. And as long as we are in a public service business, it can certainly be argued with merit that we should be prepared to serve such persons at that figure. I maintain, however, that most of the people who rent \$3 boxes can just as well afford to pay \$5, and would pay that amount willingly if the \$3 boxes were not literally shoved under their noses.

SUITS AND DEPOSIT BOXES

A MAN buys a new suit of clothes not merely because it keeps him warm and serves to cover up his nakedness, but because he looks well in it—or at least he thinks he does. It adds to his self assurance and gives him pleasure. The same is true of the man who buys a new car. He may kid himself that the old bus has seen its best days and that it is an economy to buy a new one. But most of the time he buys the new car because he wants to buy it. He wants the sensation of sitting behind the wheel of a shiny new model, with speed and power, and the latest gadgets.

But whoever heard of anyone seething and sweating with desire to rent a safe deposit box? The truth is that nobody wants a safe deposit box. And if you ever ran upon a person who actually did want a box for the pleasure of having it, you would probably think that he ought to have his head examined. Safe deposit boxes are a nuisance and no one in his right mind would want to go to all the trouble that the use of a box involves unless he felt impelled by the necessity for the protection which it gives.

This being the case, a person thus impelled by the urge of necessity will pay any reasonable charge for the protection

R. G. RANKIN & CO. CERTIFIED PUBLIC ACCOUNTANTS

Examinations
of
Banks and Trust Companies
for
Directors Committees

CHICAGO

NEW YORK

WASHINGTON

You get praise instead of "wise cracks"
and save money, too

Handi-pen ends the old jokes about lobby pens. Your customer just picks up the pen and writes, instantly, smoothly, fluently. The pen rests in fresh ink always at the proper level—with a six-ounce supply on tap to save you the trouble of frequent filling. No constant dipping, clogging, or flooding, minimum evaporation waste.

Handi-pen is attached to its anchored base by a 24" chain, to avoid lost pens and spilling. Its handsome appearance, swift and effortless performance, cleanliness and economy make it indispensable to the modern bank. Get yours from your dealer—\$3.00 each. Or write today for a Handi-pen on 10-day free trial.

Tear out coupon and mail today

Sengbusch Self-Closing Inkstand Co.
2B Sengbusch Bldg.
Milwaukee, Wis.

Gentlemen: Please ship me.....handi-pen sets for a 10-day free trial. I understand there is no obligation on my part.
Name
Address
City State

which he is convinced he must have. And there are very few persons having enough to feel the need of a box at all, who will stop at the difference between \$3 and \$5 a year. There are some, yes, but they are not in anything like the proportion of the \$3 boxes which most of us offer in our vaults.

RENTAL INCENTIVE

BY the expression "having enough" to need a deposit box, I mean enough securities, precious stones or documents whose loss would represent a direct monetary loss, things of intrinsic value. A lot of us have a fond idea that people will rent safe deposit boxes to house insurance policies, birth certificates, sentimental heirlooms and other such things. The notion is faulty. With rare exceptions, people just don't rent boxes for things of this kind. If they have enough securities, a will or other things of intrinsic value which cause them to rent a box, they will likely keep these other items in it as well. But the urge to protect these other things alone is not a sufficient lever to impel action. So as far as they are concerned we might just as well save ourselves the trouble and the money, and concentrate on those who can be made to feel a genuine need for safe deposit protection, namely, the owners of capital.

Furthermore, it is perfectly futile for any one of us, with the comparative pittance which we can properly appropriate to safe deposit advertising, to try to do a selling job for ourselves individually. If, however, since we all render the same service in practically the same way and to all intents and purposes maintain vaults of like security, we will just all get together and pool our individual appropriations into one fund for a single well-planned, well-executed and continuous campaign directed at our real potential market, we can readily do an effective piece of work.

COOPERATIVE ADVERTISING

ADVERTISING can and will rent safe deposit boxes. But advertising has to be properly used if it is going to do a good job. Unfortunately for most institutions, advertising is the one subject upon which everybody from the president to the messenger thinks he is an expert. And by the time each of them has finished injecting his ideas into it, the experienced advertising man who originally prepared the copy can hardly recognize his own stuff. In so far as safe deposit service is concerned, no single institution is equipped to do a really effective selling job except at exorbitant and unjustified expense. Together,

the banks in nearly any sizable community are equipped to do a thorough job, if they can ever manage to get together and then bring themselves to let the advertising people do the advertising.

Advertising rightly used on a cooperative basis can rent safe deposit boxes all right. But to what end? Is there any use in renting them if we are going to keep on making a perpetual loss leader out of them and let them out at starvation prices? There is no use at all. Back in the days of two chickens in every pot and bigger and better everything, volume was the watchword. The cry on

all sides was "Get more volume!" People overlooked such unimportant matters as value and profit.

There is no earthly use advertising to get a volume which does not return a substantial profit. So until those of us who render a safe deposit service revamp our set-ups in such a way as to enable us to make a substantial profit, it is just plain silly to advertise for the volume.

C. DELANO AMES
Manager, Public Relations and
Advertising
Maryland Trust Company
Baltimore, Maryland

**HE SELLS
the Right to
FEEL
SECURE**

Your HOME-TOWN AGENT

Meet the "value conserver" of your community. A fellow citizen — *your Home-Town Agent*. He represents sound capital stock companies like Fireman's Fund. Gladly he will study your hazards — analyze existing policies — recommend coverages — provide adequate protection. Treat him as your friend — he'll prove your "friend in need." For remember — he sells *The Right to Feel Secure*.

Fire • Automobile • Marine • Casualty • Fidelity • Surety

FIREMAN'S FUND GROUP

FIREMAN'S FUND INSURANCE COMPANY

HOME FIRE & MARINE
Insurance Company

OCCIDENTAL
Insurance Company

FIREMAN'S FUND
Indemnity Company

OCCIDENTAL
Indemnity Company

New York • Chicago • SAN FRANCISCO • Boston • Atlanta

STRENGTH • PERMANENCE • STABILITY

WHAT HAVE THESE TEN TRYING YEARS *brought you in the way of* SECURITY?

IF YOU are one of the 100,000,000 Americans who own life insurance or are protected by it, you are interested in the ability of life insurance companies to keep their promises . . . for on the integrity of those promises depends your future security.

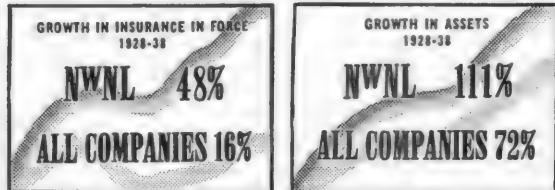
The experiences of the last ten years have proved the worth of those promises. American life companies paid out during that time the amazing sum of 25 billion dollars (not including policy loans) — more than twice the amount they were called upon to pay during the previous decade. Yet through this period of extraordinary strain, life insurance assets continued their steady, natural growth, until today they are at the highest point in history.

The American people have learned, through sometimes bitter experience, that nothing but life insurance offers the security of life insurance. The millions of families who have received the proceeds of life insurance without delay or interruption, or who, in emergency, have found their one remaining sound asset to be their life insurance cash values, can testify to the soundness of the life insurance principle, and to the dependability of the life companies.

As in past years, NWNL is first to present its Annual Financial Statement. It shows the true security — for today and for the years ahead — that a good life insurance company gives you in exchange for your premium dollars.

NWNL'S 10-YEAR RECORD

of steady, well-rounded growth is outstanding, even as compared with the fine showing of all U. S. life companies.



*Bonds valued at market prices would add over \$1,000,000 to Surplus Funds.

NORTHWESTERN NATIONAL

STRONG

O. J. ARNOLD, President

LIFE INSURANCE COMPANY

Minneapolis, Minnesota

LIBERAL

BANKING



Northwestern National Life's

54th ANNUAL FINANCIAL STATEMENT

December 31, 1938

RESOURCES

Cash	(2.9%)	\$ 2,038,733
U. S. Government Securities	(25.4%)	17,833,701
Bonds Fully Guaranteed by the U. S.	(9.2%)	6,462,093
Canadian Government Securities	(.6%)	443,984
Other Bonds:		
State, County, and Municipal	(5.0%)	3,503,917
Railroad Mortgage Bonds	(6.9%)	4,853,681
Railroad Equipments	(1.8%)	1,272,838
Public Utility	(18.3%)	12,846,608
Industrial	(1.5%)	1,046,121
Miscellaneous	(.3%)	239,639
First Mortgage Loans	(6.5%)	4,525,481
Policy Loans	(13.7%)	9,629,528
Real Estate (Incl. Home Office Bldg. and Real Estate Sold Under Contract)	(4.2%)	2,919,471
Premiums, Due and Deferred	(2.8%)	1,932,079
Interest Due and Accrued and Other Assets	(.9%)	593,739
TOTAL	(100%)	\$70,141,613

LIABILITIES

Reserve on Policies	\$54,432,560
Death Claims Due and Unpaid	None
Claims Reported but Proofs not Received	107,552
Reserve for Claims Unreported	95,000
Present Value of Death, Disability, and other Claims Payable in Instalments	3,672,861
Premiums and Interest Paid in Advance	347,956
Reserve for Taxes Payable in 1939	311,471
Profits for Distribution to Policyholders	2,654,076
Reserve for Other Liabilities	2,340,151
Asset Fluctuation Reserve	914,667
Surplus Funds* and Capital:	
Voluntary Contingency Reserves	\$1,836,270
General Surplus	2,329,049
Paid-in Capital	1,100,000
TOTAL	\$70,141,613

INSURANCE IN FORCE \$427,027,602

Contents

THE CONDITION OF BUSINESS	1
Words and Music	3
Just a Minute	9
Real Audits	19
John Sherman's Great Era	21
Personnel Score Keeping	24
Some Tax Facts	25
Causes of Municipal Defaults	28
A Commodity Loan Department	29
How to Attract Industries	30
Savings Bank Life Insurance	31
The Legal Answer Page	32
The Big Purse (Pictures)	33
The Trend of Things in Washington (Pictures)	37
Thrift in Any Language (Pictures)	40
Meeting the Public Needs in Banking (Pictures)	43
News Paper	49
CONVENTIONS	51
Mid-Winter Reading	52
The Earning Power of Banks	54
Methods and Ideas	56
Broader F.D.I.C. Coverage	71
Washington	72
Idle From Necessity	77
More Capital for Real Estate	80
ASK BANKING	82
Those \$3 Safe Deposit Boxes	84

Advertisers

Allen Wales Adding Machine Corp.	Cover II
American Surety Co.	77
Anthracite Industries, Inc.	48
BANKING	103
Bank of America N.T. & S.A.	78
Burroughs Adding Machine Co.	59
Canadian Pacific Express Co.	99
Carrier Corp.	6
Archie Carson	78
Chase National Bank	104
Citizens National Trust & Savings Bank of Los Angeles	75
Cleveland Trust Co.	99
Commercial Credit Co.	78
Commercial Investment Trust, Inc.	14
Continental Illinois National Bank and Trust Co.	58
Crane Co.	73
DeLuxe Check Printers, Inc.	5
C. J. Devine & Co.	9
DeWitt Hotels, Inc.	80
Ediphone, Thomas A. Edison, Inc.	61
Faries Manufacturing Co.	74
Felt & Tarrant Manufacturing Co.	53
Fidelity-Philadelphia Trust Co.	15
Fireman's Fund Group	85
First National Bank in Dallas	76
First National Bank in St. Louis	16
First National Bank of Chicago	63
First Wisconsin National Bank	16
Fulton National Bank	14
General Electric Co.	66
General Motors Acceptance Corp.	10
Guaranty Trust Co.	67
Halsey, Stuart & Co., Inc.	12, 13
Hammermill Paper Co.	11
Hartford Fire Insurance Co.	62
Home Insurance Co.	17
Hotel Roosevelt	75
Institute of Bank Stationers	71
International Business Machines Corp.	79
Investors Syndicate	2
Lawrence Warehouse Co.	65
Live Stock National Bank	83
Longines-Wittnauer Co.	80
Manufacturers Trust Co.	68
Marchant Calculating Machine Co.	80
Maryland Casualty Co.	7
Maryland Trust Co.	74
Julius Mathews Special Agency	64
George S. May Co.	Cover IV
Mercantile-Commerce Bank and Trust Co.	70
Millers National Insurance Co.	9
Minneapolis-Moline Power Implement Co.	81
Moody's Investors Service	18
Morris Plan Insurance Society	10
National Bank of Detroit	72
National Cash Register Co.	57
National City Bank of Cleveland	97
National City Bank of New York	71
National Surety Corp.	8, 88
New York Trust Co.	Facing page 89
Northwestern National Life Insurance Co.	86
Omaha National Bank	101
Philadelphia National Bank	96
R. G. Rankin & Co.	84
Recordak Corp.	46, 47
Remington Rand, Inc.	Cover III
Royal Bank of Canada	101
Sengbusch Self-Closing Inkstand Co.	84
Standard Accident Insurance Co.	60
James Talcott, Inc.	10
The Todd Co.	55
United States Gypsum Co.	69
Willard Hotel	74
York Ice Machinery Corp.	4

NATIONAL SURETY CORPORATION

VINCENT CULLEN, *President*

FINANCIAL STATEMENT

December 31st, 1938

ASSETS

Cash in Banks	\$ 1,951,436.72
Investments:	
Bonds	\$9,189,901.06
Preferred and Guaranteed Stocks	4,605,719.33
Common Stocks	<u>6,043,900.00</u> 19,839,520.39
Premiums in Course of Collection,	
Not over 90 Days Due	1,358,597.62
Accrued Interest, Dividends and Rents	111,201.68
Reinsurance and Other Accounts Receivable	76,550.83
Home Office Building	850,000.00
TOTAL ADMITTED ASSETS	<u>\$24,187,307.24</u>

LIABILITIES

Reserve for Losses and Loss Adjustment Expenses	\$ 4,425,399.81
Reserve for Unearned Premiums	5,605,634.00
Reserve for Commissions, Expenses and Taxes	973,534.72
*Contingency Reserve	306,111.39
Capital	\$ 2,500,000.00
Surplus	<u>10,376,627.32</u>
Total Capital and Surplus	12,876,627.32
TOTAL	<u>\$24,187,307.24</u>

*Represents difference between total values carried in assets for all bonds and stocks owned and total values based on December 31, 1938 market quotations.

Securities carried at \$1,363,901.62 are deposited for purposes required by law.



BANKING'S DIGEST—FEBRUARY 1939

A Nationwide Report of Outstanding Speeches

Needed: A Standard of Value	LEWIS H. HANEY	89
Home Sweet Home	NATHAN STRAUS	89
Founded on Religion	JOHN D. ROCKEFELLER, JR.	90
Researching for Jobs	C. M. CHESTER	90
Personal Loan Business	P. ELMO THOMPSON	91
Public Health	THOMAS PARRAN	91
A Word About Taxes	A. R. MOORHEAD	92
Please and Thank You	SYD J. HUGHES	92
A Way of Life	JAMES ROWLAND ANGELL	92
We'll Need to Work More Hours	BENJAMIN M. ANDERSON, JR.	93
An 80 Billion Dollar Nation	FRANKLIN D. ROOSEVELT	94
\$23,000 a Minute	HARRY F. BYRD	95
Present Day Lending	G. FRED BERGER	96
More Research in Business	NATHANAEL H. ENGLE	97
The Outlook for Interest Rates	MURRAY SHIELDS	100
Mortgage Safety	D. HOWARD DOANE	101
Managing the Investment Account	EDWIN HYDE	102
Listening in a Crisis	JAMES E. FREEMAN	102
Trends and Times		98

Charles F. Kettering . . . Norman H. Davis . . . J. N. Quinn . . . T. A. Phillips . . .
George V. McLaughlin . . . Sir Richard Gregory . . . Mark Jefferson . . . Christian
Gauss . . . Richard C. Patterson, Jr. . . . Neville Chamberlain . . . Alfred M. Landon
Donald H. McNeal

The New York Trust Company

100 BROADWAY

40th St. & Madison Ave. Fifth Ave. & 57th St.

Representative's Office: 8 King William St., London, E. C. 4

CONDENSED STATEMENT OF CONDITION

At the close of business December 31, 1938

ASSETS	LIABILITIES
Cash on Hand, and in Federal Reserve and Other Banks	\$115,344,098.62
Exchanges, Collections and Other Cash Items	14,754,582.10
United States Government Obligations—Direct and Guaranteed	166,646,799.87
Other Bonds and Securities	11,719,444.88
Loans, Discounts and Bankers' Acceptances	95,658,310.26
Interest Receivable, Accounts Receivable and Other Assets	2,482,834.76
Real Estate Bonds and Mortgages	4,955,322.47
Customers' Liability for Acceptances	3,230,142.74
Equities in Real Estate	732,937.94
Banking Premises — Equity and Leasehold	2,810,049.20
	<u>\$418,334,522.84</u>
	Deposits
	Outstanding and Certified Checks
	Dividend Payable January 3, 1939
	Accounts Payable and Other Liabilities
	Acceptances
	Reserve for Contingencies
	Capital
	Surplus
	Undivided Profits
	<u>40,381,484.03</u>
	<u>\$418,334,522.84</u>

United States Government obligations are carried at market. Government obligations and other securities amounting to \$25,180,208.49 in the above statement are deposited to secure public and trust deposits and for other purposes required by law.

MALCOLM P. ALDRICH <i>New York</i>	Trustees	ROBERT A. LOVETT <i>Brown Brothers Harriman & Co.</i>
ARTHUR M. ANDERSON <i>J. P. Morgan & Company</i>	FRANCIS B. DAVIS, JR. <i>President, United States Rubber Co.</i>	HOWARD W. MAXWELL <i>New York</i>
MORTIMER N. BUCKNER <i>Chairman of the Board</i>	HARRY P. DAVISON <i>J. P. Morgan & Company</i>	HARRY T. PETERS <i>New York</i>
JAMES C. COLGATE <i>James B. Colgate & Company</i>	RUSSELL H. DUNHAM <i>President, Hercules Powder Company</i>	DEAN SAGE <i>Sage, Gray, Todd & Sims</i>
ALFRED A. COOK <i>Cook, Nathan, Lehman & Greenman</i>	SAMUEL H. FISHER <i>Litchfield, Conn.</i>	LOUIS STEWART, SR. <i>New York</i>
WILLIAM F. CUTLER <i>Vice-President American Brake Shoe & Fdy. Co.</i>	ARTEMUS L. GATES <i>President</i>	VANDERBILT WEBB <i>Curtis, Belknap & Webb</i>
	B. BREWSTER JENNINGS <i>Socony-Vacuum Oil Co., Inc.</i>	MEDLEY G. B. WHEPLEY <i>Guggenheim Bros.</i>

Member of the Federal Deposit Insurance Corporation





Needed: A Standard of Value

LEWIS H. HANEY, Professor of Economics, New York University, before the DETROIT BOARD OF COMMERCE.

THE most fundamental source of our economic troubles today is monetary uncertainty. This has been true since 1931.

We need a standard of value in order to support economic democracy and reestablish a more complete individual freedom.

We need a standard of value not only to support economic democracy but also to stop monetary socialism.

We need a standard for our money to prevent national bankruptcy, to stop the progressive waste of our national assets.

We need a standard of value to valorize our huge and growing gold hoard.

We need a standard of value for our money to stop nationalism, restore international trade, and thus maintain employment and American standards of living.

We are coming to realize that the most evil characteristic of conditions in this country today is the prevalence of political values over economic values. Everything is subordinated to politics, and our business news comes from Washington.

It is no mere accident that, at the very time this condition was born, we went off the gold standard. Economic values become indefinite and subjective when we lack a standard of value. Thus they cannot play their part in the life of the nation. The result is that we find the politicians encouraged to produce things which are not worth while—things whose values do not cover their costs. Until we make economic values definite, by measuring them in terms of an objective standard of value, we will never be able to free our business from the politicians.

Men cannot and will not invest nor undertake long range business enterprise when they cannot "figure" on the dollar. This was true in 1873, and again in 1893; and not until certainty was restored by the resumption of specie payment in 1879, and the defeat of Bryan in 1896, did recovery occur. The moral for 1933-1940 is plain.

If, now, we accept the idea that a standard for our money is required in order to make economic values definite, and if, therefore, we cast the political money changers out of the temple of our business life and restore the price system, we

must next consider the matter of economic democracy. By economic democracy I mean the price system. According to the price system, we are not governed by brain trustees or dictators or by any political machinery.

Economic democracy, with a standard of value, would have made impossible the present situation in the cotton industry. The Government would not have been able to have strained its credit to buy and buy, store and store, and lose and lose. Long since, the cotton would have been sold for what it would bring in terms of standard money, and we would not have lost our foreign market. Nor could we have had the present chronic unemployment of 10,000,000 persons if we had had economic democracy and the price system. Economic democracy means keeping economic values separate from political values.

Monetary socialism inevitably leads to economic dictatorship, whether in the guise of Sovietism, Fascism, or New Dealism. Lenin is reported to have said: "The surest way to destroy capitalism is to debase the money." That is absolutely true. Accordingly, I say that the surest way to destroy Communism is to establish an objective standard for money, such as the gold standard.

Inevitably, in all nations and in all times, when the politicians who constitute the government undertake to run the nation's economic life, we find them eventually turning to the old army game of using the public debt as currency.

I desire to go on record as predicting that we will never pay our public debt in full. It will be paid in terms of dollars, but perhaps in terms of 50-cent dollars.

To devalue a currency is like trying to increase the supply of wheat by reducing the size of bushel baskets. By devaluation we make more dollars, but not more gold and not more value. We now have well over 55 per cent of the world's total monetary gold supply.

I hold that the main danger to the gold standard in the world today is the non-use of America's gold reserves. The longer we postpone our return to the gold standard, the more difficult that return will become, until conceivably it can be accomplished only after desperate experiments with fiat currency and complete financial collapse.

The best way to stop gold imports is to go on the gold standard. The one great abiding reason for the tendency of gold to flow into this country lies in the fact that the American dollar is undervalued in terms of gold.

Home Sweet Home

NATHAN STRAUS, Administrator, United States Housing Authority, before the NATIONAL ASSOCIATION OF REAL ESTATE BOARDS.

RECENT years have witnessed a lessening of interest in the home and increased interest in those things which are outside the home. All the resources of modern publicity have been marshalled to depict the pleasures of life away from home, whether at the movies or driving in a new car over the new interstate highways.

I believe that the next decade will see a reversal of this trend. The radio surely helps to keep people at home. It has

persuaded more people to spend more hours in their own living rooms. The public housing movement also is reawakening interest in the home and home environment in all classes of its population. Americans are beginning to demand better homes.

For the rehousing movement is only in its infancy. The Government program can provide, with funds now available, only about 150,000 new homes.

The private building industry today is building homes within reach only of about one out of three families in the population. It is doing one-third of a job, of which eventually it must do, in my belief, at least two-thirds.

Founded on Religion

JOHN D. ROCKEFELLER, JR., at a luncheon opening the campaign for the Temple of Religion at the New York World's Fair.

HOW incomplete would the World's Fair be as a picture of the life of the American people if it did not prominently feature the religious life of the American people, and it is to adequately represent that important aspect of human life that the Temple of Religion has been conceived and is being constructed.

This country was founded on religion. Every day we are hearing of the efforts made to banish religion from other countries and of the ghastly train of

events following in the wake of these efforts. Religion is the only foundation upon which liberty and democracy can be maintained.

The future of this country depends upon the religious foundation upon which it was built. It is, it seems to me and I believe you will agree, not only important but appropriate that the religious life of our people should be properly represented at the World's Fair by the Temple of Religion, not only to show how we in America feel about religion but that our many visitors from all corners of the earth may see the emphasis, the significance and the fundamental importance that we place upon religion.

Researching for Jobs

C. M. CHESTER, Chairman, General Foods Corporation, before the NEW ENGLAND ASSOCIATION OF COLLEGES AND SECONDARY SCHOOLS.

OUR private and state colleges and universities produce each year graduates educated in particular fields without reference to the public need for men and women with such training. The result is often waste—waste of educational facilities that might be given more practical employment, and waste of the talents of youth whom neither business nor education has sufficiently helped to guide.

Any program advanced as a remedy for this situation must be suggested provisionally. It appears to me that three of the requirements are:

1. Better vocational guidance. To provide students with the most nearly accurate information obtainable on the trained personnel requirements in different professions, occupations, and industries. This information should be accompanied by statistics from educators showing the occupational selections of students in the different classes.

2. Early assistance in judging and detecting individual aptitudes. The student should be helped to decide as early as possible in his schooling the division of business or the profession he desires to enter.

3. Better placement assistance, conducted as a cooperative endeavor by industry, the professions, and educational institutions, to help the trained graduate get the job for which he is qualified.

The suggestion here made is that of a research organization supported jointly by organizations in a variety of fields. The general purpose of this new organization would be to make an effort to:

1. Collect information about employment conditions and opportunities in various fields.

2. Attempt to forecast the needs in each field.

3. Serve as a clearinghouse for information and for employment.

To make the service of this organization most effective, students should be helped to make their occupational selections as early as possible during their schooling, and certainly by the time they begin their specialized studies. The work of checking man power against the requirements of the profession or calling could then be started, and where large

surpluses are apparent, adjustments should be possible.

In addition to gathering information on jobs, salaries, and opportunities in various fields, this same organization might collect data on the peculiar abilities required for success in a specified calling, which facts could serve to guide students who were contemplating entering this field.

To expand such theories, a system of "visiting professorships" might be devised. College professors could visit business organizations in research or advisory capacities, and discover how business is coping with its problems. Then, too, they would sense the pulse-beat of industry and supplement the lay view with academic understanding. Returning home these "visiting" faculty members would present a more nearly accurate picture of business and its human needs.

Certain business and trade schools have invited industrial leaders to become "ex-officio" professors, as visiting lecturers. Business is complimented by these invitations to talk to students. These get-togethers, like "visiting professorships" should be multiplied.

One weakness in our philosophy of training youth seems to be the top-heavy steering of educated men and women into white collar jobs. Too few are being piloted into vocational channels. Too many are concentrating on the managerial phases of business, where the jobs are more limited in number, and not enough on production and services. Many schools are tutoring students in problems of management which they are not likely to encounter in their work for many years after their entry into business.

Perhaps one reason for overcrowding in some business and professional lines is absence of information available for the student on the character and potential service of many other occupations. He should be given help in determining where his abilities and tendencies seem to direct him.

Some highly pertinent suggestions have been made for the development of more effective placement bureaus in which business and education might be jointly represented. Some placement bureaus have already made a good start and deserve encouragement.

These bureaus would provide a clearinghouse for information on the changing situation in different industries and on occupational trends in the schools.

Personal Loan Business

P. ELMO THOMPSON, Vice-president, First National Bank and Trust Company of Tulsa, before the CLEARINGHOUSE ROUND TABLE CONFERENCE, AMERICAN BANKERS ASSOCIATION.

THE usual objections raised to the establishment of personal loan departments by those not operating such departments, are:

1. The business is profitable only when supported by volume, and it is the belief such volume cannot be obtained.
2. Too many unprofitable interviews and investigations must be absorbed to obtain a few acceptable loans.
3. The increased detail in operations for the discount department, tellers and bookkeepers, resulting in the necessity for the employment of additional assistants and thereby unbalancing the profits which might be reasonably anticipated.
4. The increased bank lobby activity on salary pay-roll days of the month aggravates the present problem of serving large numbers of customers to the point of taxing lobby capacity.
5. The losses incident to handling so many small loans undoubtedly will result in too little net profit to justify the hazard of establishing a new department, new personnel, and the cost of new forms, advertising, etc., which must be balanced against the prospective profits obtainable.

To answer these criticisms, an examination has been made of the practices and the systems used to obtain volume, to eliminate detail, and to relieve the lobby activity. The conclusion reached is that all such criticisms are definitely solved.

Volume is ascertainable from the number of regularly employed persons in the community and the number of individuals and associations now engaged in the business. Volume is obtained by newspaper advertising, stuffers in the monthly statements, spot radio announcements, which is the least costly of the radio advertising, and best of all by folders mailed to the homes from carefully prepared direct mailing lists. The expense of such media should not be charged solely to this activity as it is as much institutional advertising as any other.

Relief from numerous unprofitable interviews can be obtained by advising the prospective applicants in the advertising copy of the terms and conditions under which loans will be granted with such simplicity that they can know in advance whether the terms are acceptable and the requirements can be met.

Much detail can be eliminated by carrying the personal loan department as another department direct with the general books. A very substantial volume can be handled in

this manner with the use of one bookkeeper for the department.

Lobby and teller confusion can be eliminated by supplying each borrower with a book of coupons at the time the loan is closed. There should be as many coupons as payments, each listing the amount of the payment, the due date and the number of the account. Each payment, accompanied by the coupon representing the amount due, without any other documents, can then be deposited at any open cage, where it is treated as a deposit, and all such credits forwarded to the central teller who enters each day's business as one credit to the account of the personal loan department.

The fifth and last objection is best answered by reference to the experience of a bank with which I am familiar, which employs the methods heretofore narrated. This bank is located in a city of 150,000 people with few large manufacturing industries. There are four banks in this city, and all engage in personal loan business. This bank operates the business as a "time payment loan department," and it includes therein its F.H.A. Title I and Title II loans, as well as such automobile loans as are made direct to borrowers. Two years ago the total dollar volume of credits in this department was \$240,000. The management determined to dignify the activity as a department of the bank and immediately began an aggressive campaign to increase the volume of business; the result is a total dollar volume of credits that has been built within two years to \$1,500,000; and for fear some may believe a substantial portion of this total is represented by F.H.A. Title II loans, I should state that \$350,000 is the total amount of such loans.

This department is operated by two loan officers, one secretary, and one bookkeeper. The bank operates on the departmental cost accounting system, by which each department is charged not only its actual expense but an allocated portion of the rent, legal advertising, postage, insurance, telephone, stationery, bank examination, and general administration expenses. Under this system it costs \$1,700 per month to operate the department, and it still nets \$4,500 a month, or a total of \$54,000 per year. Obviously, as a department this showing compares most favorably with many others of the bank such as the safe deposit, exchange, or collection department.

I am of the opinion the personal loan business is a distinctly departmental business for banks located where volume is available. I also conclude that such departments will succeed best when under the direction of an aggressive, intelligent, capable but younger department manager as opposed to being treated as a place to take care of an employee who probably should be pensioned.

Public Health

THREE is every prospect that the next steps in a national health program will be taken soon. Each step will impose additional duties upon health departments in every state and community.

To meet the economic burdens of unpredictable illness among self-supporting persons, either general taxation or special tax assessments or specific insurance contributions should provide the funds. The role of the Federal Government in this respect should be properly that of giving financial and technical aid to the states in their development of sound programs through procedures largely of their own choice.—DR. THOMAS PARRAN, Surgeon General, U. S. Public Health Service.

A Word About Taxes

A. R. MOORHEAD, First Service Corporation, Minneapolis, before SOUTH DAKOTA BANKERS ASSOCIATION GROUP MEETINGS.

AS to tax-saving devices the problem may be stated this way:

First: It is the right of every taxpayer to minimize his taxes by any legal means. Whether the method takes the form of selling assets to create a deductible loss, investing in tax-exempt securities, postponing the sale of bonds or other property at a profit, or the employment of a tax accountant to keep him informed as to his rights, is of no concern to the Government, in spite of the statements of some politicians to the contrary. The Supreme Court has said, "The legal right of a taxpayer to decrease the amount of what otherwise would be his taxes, or altogether avoid them, by means which the law permits, cannot be doubted."

Second: One of the best methods of reducing your taxes is to be found in the employment of a competent tax man—not after your books and your tax year are closed, but before. Some of the most effective measures are those resulting from a premeditated course of action, either in the things to be

done before the close of the year, the failure to do other things, or in the manner of procedure in measures which you may contemplate.

It is a well settled axiom in tax accounting that it is not the intentions of the taxpayer or what he might have done that determines his tax liability, but rather that which is actually reflected in his books. The method of bidding in property at a foreclosure sale is an illustration of this point.

Another is that you may find on November 30 you are going to be in the red for income tax purposes, or that you have losses from the sales of property which will be limited to \$2,000 by Section 117. At the same time, you may have bonds in your portfolio that could be sold at a profit. It would seem advisable to sell the bonds before the close of the year in order to offset the loss and then buy back similar bonds, or even the same ones, and in that way secure a stepped-up basis or an increased cost of the same or similar property. Again you may wish to change the date for paying savings interest from December 31 to January 2. Who is there to deny you this privilege, even though it may incidentally have the effect of postponing an immediate but unnecessary deduction?

Please and Thank You

Syd J. HUGHES, Advertising Manager, Morris Plan Industrial Bank of New York, before the MORRIS PLAN BANKERS ASSOCIATION.

IF someone questions a certain phrase in our advertising, or why a certain policy is being pursued, we do not simply take an arbitrary stand that this is the function of the advertising department and so what! The reason for the phrase or the policy is sold, not just explained, to the employee or the department head.

At one time the advertising department rewrote several hundred standard operating forms of various types; and it is surprising what it does to a form to drop in a "please" or a "thank you" here and there, although many credit and collection men will challenge the idea. A credit man in too many instances says the customer should thank us and the collection man too often asks why should we say "please" to anybody who owes us something.

There was a feeling in some quarters that the new forms were about to result in a catastrophic collapse of the entire institution. The credit man said if you're too nice and too

prompt with these people when you give them their money they won't pay you back, or the least they'll do is go delinquent in 30 days.

The collection man said you've got to scare them and if you don't, we'll have to liquidate the bank in 12 months.

The banking department said if you don't keep a depositor in his place, he'll be coming in here to get change for a dollar, or something.

If the credit man, or the collection man, or the banking department man is unable to understand that his bank and his job and his salary depend in the long run upon the creation and maintenance of customer good will, then you had better start refitting the pegs. But, first of all, you owe it to these men to explain why and where and how. If they cannot conform, then years of service, faithfulness, loyalty, or who they are related to, should not stand in the way of correction.

We have proved statistically that credit can be extended without a patronizing superciliousness, that money can be collected without throwing the customer down the elevator shaft, and that depositors can be persuaded to send you business every day in the week.

A Way of Life

THERE is now the compelling obligation at every level of the educational process to inculcate the underlying social philosophy of democracy which is at present so violently attacked in many parts of the world.

Freedom of thought and speech, of worship, of public assembly, equality before the law, a voice in the selection of officials and in the determination of the policies of the Government—all these and many other rights and privileges lie at the foundation of our ideal of democracy.

Our children must be clearly taught what happens to all these rights under other prevalent forms of government.

Democracy is more dependent than any other form of government on sound general education and especially on moral education. By democracy we Americans mean a certain way of life quite as much as a specific frame of government—a way which assures a fair break to every citizen, and especially to every child.—JAMES ROWLAND ANGELL, former President of Yale University.

We'll Need to Work More Hours

BENJAMIN M. ANDERSON, JR., Economist, Chase National Bank, New York, before the KANSAS CITY CHAMBER OF COMMERCE.

THE way to get better wages and fewer hours of work is, not by legislation striking directly at wage rates and hours, but, rather by freeing and encouraging the great, impersonal forces which have historically increased wages and shortened hours.

These great forces in the United States have been (1) our abundant land and other natural resources; (2) the growth of capital; (3) technological progress; (4) the intelligence and enterprise of our people, and (5) the retardation of the growth of population by voluntary restriction of the size of families and by immigration restriction. A country where land and natural resources are abundant, where capital is abundant and growing, where technological progress is rapid and where population grows slowly, is a country where opportunities are abundant and men are relatively scarce, and is a country where wages will be high. With earnings of labor high enough so that the necessities of life are earned with part of a day's work, and the product of the rest of the day's work can be used for the working man's comforts and luxuries, hours of labor tend to be shortened, because the working man values leisure among the other comforts and luxuries, and bargains successfully for shorter hours. We saw these forces operate to reduce average hours of labor from 58.4 hours a week to 49.8 hours a week between 1890 and 1926, while, during the same period, hourly earnings increased from 21 cents to 71 cents.

Now, this is the way in which the thing has historically come, and the causation here is definite and immediate. We had help in these matters from legislation during these years, particularly respecting the hours of women's labor. But the great force raising wages and shortening hours has been competition among increasingly well financed employers seeking relatively scarce labor. In this connection, the competition of expanding industries and rapidly growing industries, pulling labor away from more static industries or from dwindling industries, has been of special importance.

When the normal forces of supply and demand are working in open markets, and when wage rates are flexible, wages are very closely adjusted to the productivity of labor, or, in the more technical phrase of the economist, to the marginal productivity of labor or the specific productivity of labor. If wages are above the level which this standard would set, part of the workers will be unemployed, since the wages which would be paid to them would be more than the product which they would create, and competition among laborers would bring the rate down to this standard of marginal productivity. If, on the other hand, wages should be below this standard, competition among employers would bring the rate up again to the standard.

If, however, wages are set arbitrarily, whether by Government action or by powerful labor combinations, at figures above the standard, then part of the labor force will go without work, or, if there be a general spread-the-work arrangement, labor as a whole will be employed only part time.

The shortening of hours, which the free play of economic forces brought about prior to 1929, almost invariably meant increased industrial costs, because labor has rarely been willing to have weekly earnings reduced for the sake of

Wages, Hours, Profits

BUSINESS activity increases when the prospects of profits are good. Business activity recedes as profits are cut under by rising costs. Payrolls rise as profits rise. Payrolls decline as profits fall off. The largest element in costs is labor cost. Over 70 per cent of the national income goes to labor; 15.3 per cent goes to profits.

It is not to the interests of labor to seek by direct action further to increase its share of the national income at the expense of profits. The effort to add 10 per cent to the income of labor in this way would cut profits in half and lead to violent reduction in payrolls. Labor and business enterprises have, however, a common interest in policies which will increase the total to be shared.

Our wage and hour legislation, increasing industrial costs, can easily bring a period of improving business to a premature close. The most dangerous feature of it may well be the statutory enactment of the time-and-a-half rule for overtime after 40 hours.

The theory that arbitrarily reducing hours and shortening wages will increase the purchasing power of labor and thereby increase business activity has been conclusively disproved, both by the 40-hour week experiment in France and by our own N.R.A.

—DR. ANDERSON.

shorter hours. Consequently, shorter working hours have usually meant increased hourly rates. It has been necessary, therefore, that industry should, in some way, offset shorter working hours. This has been accomplished in the past by increased managerial efficiency, by "scientific management" which has increased the efficiency of the worker, by increasing application of capital to industry, by the increasing application of new technology, and, finally, by an increased efficiency of labor itself through better health.

I believe that, with a return of normal economic activity in the United States, we shall need to work more hours, and it is to the interest of labor to work more hours. Restrictions of this sort cannot be justified on the grounds of health or efficiency for industry in general. They are based rather on the theory that there is not enough work to go around, and that, therefore, each man should do less. When the time comes when there is more work to go around, and when the full utilization of the labor force is needed, I believe that we shall regret very much this drastic legislation (the Wage and Hour Act).

But, long before we reach the full utilization of the labor force, we shall, in a period of expanding industrial activity, find shortages of particular kinds of labor in a good many places. The statutory 40-hour week with the statutory provision for 50 per cent increase in wages for overtime, can easily create dangerous strangling bottle-necks in strategically important parts of the industrial field, which may bring an upswing in business to a premature close long before general unemployment disappears.

An 80 Billion Dollar Nation

PRESIDENT ROOSEVELT in his Annual Message to Congress.

WE suffer from a great unemployment of capital. Many people have the idea that as a nation we are overburdened with debt and are spending more than we can afford. That is not so. Despite our Federal Government expenditures the entire debt of our national economic system, public and private together, is no larger today than it was in 1929, and the interest thereon is far less than it was in 1929.

The object is to put capital—private as well as public—to work.

We want to get enough capital and labor at work to give us a total turnover of business, a total national income, of at least \$80,000,000,000 a year. At that figure we shall have a substantial reduction of unemployment, and the Federal revenues will be sufficient to balance the current level of cash expenditures on the basis of the existing tax structure. That figure can be attained, working within the framework of our traditional profit system.

The factors in attaining and maintaining that amount of national income are many and complicated.

They include more widespread understanding among business men of many changes which world conditions and technological improvements have brought to our economy over the last twenty years—changes in the interrelationship of price and volume and employment for instance—changes of the kind in which business men are now educating themselves through opportunities like the so-called “monopoly investigation.”

They include a perfecting of our farm program to protect farmers' income and consumers' purchasing power from alternate risks of crop gluts and crop shortages.

They include whole-hearted acceptance of new standards of honesty in our financial markets.

They include reconciliation of enormous, antagonistic interests—some of them long in litigation—in the railroad and general transportation field.

They include the working out of new techniques—private, state and Federal—to protect the public interest in and to develop wider markets for electric power.

They include a revamping of the tax relationships between Federal, state and local units of government, and consideration of relatively small tax increases to adjust the inequalities without interfering with the aggregate income of the American people.

They include the perfecting of labor organization and a universal ungrudging attitude by employers toward the labor movement until there is a minimum of interruption of production and employment because of disputes and acceptance by labor of the truth that the welfare of labor itself depends on increased balanced output of goods.

To be immediately practical, while proceeding with a steady evolution in the solving of these and like problems, we must wisely use instrumentalities, like Federal investment, which are immediately available to us.

Here, as elsewhere, time is the deciding factor in our choice of remedies. Therefore, it does not seem logical to me, at the moment we seek to increase production and consumption, for the Federal Government to consider a drastic curtailment of its own investments.

The whole subject of Government investing and Government income is one which may be approached in two different ways.

The first calls for the elimination of enough activities of government to bring the expenses of government immediately into balance with income of government. This school of thought maintains that because our national income this year is only 60 billion dollars, ours is only a 60-billion-dollar country; that government must treat it as such; and that without the help of government, it may some day, somehow, happen to become an 80-billion-dollar country.

If the Congress decides to accept this point of view, it will logically have to reduce the present functions or activities of government by one-third. The Congress will have to accept the responsibility for such reduction; and the Congress will have to determine which activities are to be reduced.

Certain expenditures we cannot possibly reduce, such as the interest on the public debt. A few million dollars saved here or there in the normal or in curtailed work of the old departments and commissions will make no great saving in the Federal budget. Therefore, the Congress would have to reduce drastically some of certain large items, such as aids to agriculture and soil conservation, veterans' pensions, flood control, highways, waterways and other public works, grants for social and health security, Civilian Conservation Corps activities, relief for the unemployed, or national defense.

The Congress alone has the power to do all this, as it is the appropriating branch of the Government.

THE OTHER VIEW

THE other approach to the question of Government spending takes the position that this nation ought not to be and need not be only a 60-billion-dollar nation; that at this moment it has the men and the resources sufficient to make it at least an 80-billion-dollar nation. This school of thought does not believe that it can become an 80-billion-dollar nation in the near future if government cuts its operations by one-third. It is convinced that if we were to try it, we would invite disaster—that we would not long remain even a 60-billion-dollar nation. There are many complicated factors with which we have to deal, but we have learned that it is unsafe to make abrupt reductions at any time in our net expenditure program.

By our common-sense action of resuming Government activities last Spring, we have reversed a recession and started the new rising tide of prosperity and national income which we are now just beginning to enjoy.

If Government activities are fully maintained, there is a good prospect of our becoming an 80-billion-dollar country in a very short time. With such a national income, present tax laws will yield enough each year to balance each year's expenses. . . .

Investing soundly must preclude spending wastefully. To guard against opportunist appropriations, I have on several occasions addressed the Congress on the importance of permanent, long-range planning. I hope, therefore, that following my recommendation of last year, a permanent agency will be set up and authorized to report on the urgency and desirability of the various types of Government investment.

Investment for prosperity can be made in a democracy.

\$23,000 a Minute

Senator HARRY F. BYRD of Virginia before the MASSACHUSETTS FEDERATION OF TAXPAYERS ASSOCIATIONS.

OUR situation today, in brief, is this:

We have trebled the public debt in five years. This debt is now an average of over \$1,000,000,000 for each state, and the interest before this debt is paid will be more than the debt itself. The Federal appropriations in this current year are the largest in peace-time history. Our tax collections for the year ending last July were the largest. Yet in the present fiscal year our deficit will be the largest peace-time deficit. In the ninth consecutive year of great deficits, we are farther away from a balanced budget than at any time since the depression began.

The Federal Government alone is spending \$23,000 every minute of every day and every night including Sunday, and of this \$11,500 is being added each minute to the public debt.

Coincident with the rise in the Federal debt and increase in Federal taxation have come similar increases in the burdens of the states and localities. The Federal Government has demanded the same prodigality of spending by the other governmental units of our Republic, and the sovereign state of Georgia has been publicly reprimanded because that state was reluctant to amend its constitution to issue state bonds and abandon its wise and frugal policy of pay-as-you-go.

This current year, the fiscal year of 1939, the expenditures of all governments in America will be more than \$20,000,000,000, or about one-third of the total gross income of this nation, and this \$20,000,000,000 is more than twice the value of all products that come from the soil and under the ground, all the products of the farm, including livestock, the products of the forest and the products of the mines. How long can a republic exist spending one-third of its gross income and twice the value of the new wealth that comes from the soil? As ominous as are our vast expenditures for recovery and relief, the fact too is that by actual budget figures the regular or ordinary expenses of government have increased from \$2,700,000,000 in 1934 to \$5,700,000,000 in 1939, an increase of more than 100 per cent.

We are told that the millionaires will pay this debt and this spending. The total income of those receiving more than \$100,000 last year was \$974,000,000. If this income were all confiscated by taxation, it would pay the cost of the Federal Government for less than 30 days and the cost of all governments for less than 15 days. For the balance of the year the expenses would be paid "in the sweat of every man who labors," and you know who described in 1932 our tax problem with the wisdom and accuracy of those words.

"A PERILOUS SITUATION"

WE are facing a perilous situation, and what can be done about it? Can we expect any leadership from the present Administration for economy and retrenchment? As one who has fought for five years for prudent spending at Washington, I say no. As a Democrat I say it with sorrow, as my party is in power, but the Republican party cannot escape responsibility for their share in the present orgy of spending. Mr. Hoover added the first five billions to the public debt, and a majority of the Republican members in the Senate have voted for the huge appropriation bills.

It is evident to me, as I think it must be to you, that no voice of influence will be raised in the Washington Administration to eliminate waste and inefficiency, duplicated effort and overlapping activities and to restore our country to sound fiscal principles. The hope lies in an aroused public interest by you, the citizens who must sooner or later pay for these extravagances.

The vast Federal spending is entrenched in every nook and corner of America. Actually one out of every 80 men, women and children in the United States is now on the regular payroll, as more than one million and a half are regularly employed by the Federal Government in its various activities. In addition, there are more than 1,000,000 Federal pensioners, and to this must be added the millions receiving Federal relief and subsidies of one kind or another. To dismantle and reduce this gigantic bureaucracy is a task of overwhelming proportions, but the reward is the preservation of sound government and to prevent inflation and to keep our country secure for our children and those to follow.

A PROGRAM

LET me suggest a program:

First thoroughly reorganize the Federal Government for simplification, retrenchment and economy, and I propose to introduce such legislation.

With equal emphasis I submit there should be a cancellation of the existing authority of 30 Federal borrowing corporations which now have power to add \$8,000,000,000 to the public debt; and that such corporations, about which so little is known, should function through the budget, allowing Congress to approve or reject future expenditures. This action would preclude at least a portion of the enormous public debt now impending.

Inescapable in this program is the fact that, exclusive of relief, 30 per cent of the total expended by the Government today is for activities new to the Government in the last five years (the greenbelts, and tree belts, and other such dispensable activities). Let these be reduced to the minimum and great sums can be saved without impairing the necessary functions of government.

This program would embrace a thorough, honest, purge of relief rolls eliminating all undeserving, and reducing relief costs by stopping all expenditures in excess of providing for those in need; and this can only be done by requiring localities to bear a portion of the burden, thereby directing local interest to reform in the relief program. Elimination of unnecessary relief costs is vital to the preservation of the character of the American people.

It is a fact that 33 states take from the Federal Government for relief (exclusive of grants and subsidies) more than they pay into the Treasury from which they draw.

Reasonable taxation is one of the best assurances of business prosperity. The essence of our democracy is the conducting of our government within the ability of our people to pay.

Government efficiently and economically operated is our best protection against the undermining of democracy.

National financial preparedness would be the objective of this program.

Financial preparedness is the greatest bulwark of national defense, and it is the greatest guarantee for national security.

Present Day Lending

G. FRED BERGER, Treasurer, Norristown-Penn Trust Company, Norristown, Pa., before the ONEIDA-HERKIMER COUNTY (N.Y.) BANKERS ASSOCIATION.

RESTRICTED lists, exceptions, limitations under which items will be accepted,—whether cash or collection,—these arrangements may have their proper place in interbank relations.

It is a matter of pride with us that long experience and unexcelled facilities enable us to serve our correspondents in full accordance with their needs, and with no other restriction than sound banking practice requires.

... THE ...

PHILADELPHIA NATIONAL BANK

ORGANIZED 1863

PHILADELPHIA, PA.

Capital, Surplus and Undivided Profits

\$40,000,000

Member of Federal Deposit Insurance Corporation

IN order to effect profitable operation it is necessary for banks to be progressive in developing their earning asset structure. After analyzing their deposit exposure to ascertain the volume of various loans which may be safely extended, banks would do well to consider, in line with present day trends, the following types of loans—

Personal, or budget loans; instalment loans for consumer credit; loans against assigned accounts for working capital purposes; three to five year secured loans for business purposes, with program for regular instalment reductions.

EMERGENCY PURPOSES ONLY

HOWEVER, such loans must be limited in volume, for while the Banking Act of 1935 has permitted Federal Reserve banks to make loans for periods up to four months against any sound asset, such loans should be made for emergency purposes only. It would seem fair to reason that any program of lending or investing which considers borrowing as a permanent factor is not only unsound, but will tend to a surrender by the management of any bank of the control of its lending policies.

Experience of other central banking systems has certainly shown that it is unwise to allow the assets of such a system to become permanently cluttered with long term assets. This naturally requires a policy of loan liquidation on the part of the borrowing banks, and when that happens a bank may cease to make its own loan decisions. It should be obvious that one of the principal functions of central banking is short term lending to meet business needs and attendant currency issued. Any other program should be limited to emergencies only. If it is not, the currency of a country may soon deteriorate.

Furthermore, Mr. Crowley and his efficient staff are doing a good job in strengthening weak spots and in controlling promiscuous bank chartering. If these policies are continued, and banks in turn are careful with their own lending and investment policies, then deposit insurance will continue to develop as a further protection.

More Research In Business

NATHANAEL H. ENGLE, Assistant Director, Bureau of Foreign and Domestic Commerce, before the NEW ENGLAND CREDIT CONFERENCE.

BUSINESS research is essentially an insurance policy for the preservation of capitalism. At first blush, this linking of business research with capitalism may seem strange to you.

I do so because I believe that all business men in the United States are deeply interested in the capitalistic system as it has worked out in the United States, and because I feel that business research can contribute much to the improvement of capitalism and hence to its preservation.

Certainly no one familiar with the facts can ignore the tremendous possibilities for good in the capitalistic system. Any system which can raise the income of a great nation from 18 billion dollars at the turn of the century to 81 billion dollars in three decades deserves our best efforts to perpetuate.

Even allowing for changes in the price level and in the population, there was still a tremendous fruitage to the individual men and women in the United States flowing from the productive achievements of our business system.

On the other hand, we cannot ignore the fact that in the four short years following 1929 our income slipped back from 81 billion dollars to 38 billion dollars. We lost half of the progress of 30 years in our annual rate of production of income during this short disastrous period. Therefore, it is essential that something be done to insure against the possibility of future repetition of such grave disaster.

I am sure that we would all know what to do if we built a bridge and the bridge collapsed and fell into the stream. We would immediately call in our engineers and overhaul the plans to find out what was wrong.

In short, we would engage the best research talent at our command to discover the causes of the collapse, after which it would be comparatively simple to correct the difficulties and rebuild a bridge that would stand the stresses and strains of the particular set of conditions under which it was meant to operate.

If we will but utilize the same intelligence in the direction of our business activities and demand and use more research in business there will be no occasion to fear that American business will fail to accomplish its mission.

Announcement

OF A FURTHER INCREASE IN CAPITAL

The National City Bank of Cleveland, in December last, increased its Capital Stock and Surplus to the new total of \$13,000,000 shown in this statement.

Capital Stock has been increased from \$7,500,000 to \$9,000,000 by the sale of additional shares and Surplus has been increased from \$3,250,000 to \$4,000,000 by a transfer from Undivided Profits.

The present increase

reflects the continuing growth of this institution since December of 1936, when the Common Capital Stock was raised to the \$7,500,000 figure and all Preferred Stock was retired.

The increases in capital accomplished in 1936 and again in 1938 are two important steps in providing for the expansion of this bank's service to Cleveland and the national business community.



THE NATIONAL CITY BANK OF CLEVELAND

Statement of Condition

DECEMBER 31, 1938

ASSETS

Cash and Due from Banks	\$ 56,941,207.33
United States Government Obligations	55,965,099.42
Other Securities	17,349,415.37
Capital Stock of The National City Building Co.	2,125,000.00
Real Estate Owned	62,028.86
Loans and Discounts	33,720,297.02
Accrued Interest	457,394.36
Customers' Liability on Acceptances and Letters of Credit	2,556,538.89
Customers' Liability on Loan Commitments	1,212,996.32
Other Assets	120,668.08
	\$170,510,645.65

LIABILITIES

Capital Stock	\$ 9,000,000.00
Surplus	4,000,000.00
Undivided Profits	721,303.11
Reserve for Contingencies	\$ 13,721,303.11
Accrued Interest and Expenses	2,118,474.58
Deferred Credits and Other Liabilities	37,230.99
Acceptances and Letters of Credit	132,371.30
Loan Commitments Outstanding	2,556,538.89
Corporation, Individual and Bank Deposits	1,212,996.32
Savings Deposits	\$115,449,627.81
Trust and Public Deposits	28,569,110.05
	6,712,992.60
	150,731,730.46
	\$170,510,645.65

NOTE: United States Government Obligations carried at \$7,307,407.83 are pledged to secure trust and public deposits and for other purposes as required or permitted by law.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Trends and Times

Inventions Congress

If we could only have an inventions congress or conference here in which we had business men and economists and representatives of government, and could sit down and say, "Now, what are the most probable things that we can do?"

Remember, some of the most important things to do you can't do in a hurry. It takes a long while. We have had men on work for 15 years on some problems, and we haven't the solution to the thing yet.—CHARLES F. KETTERING, Vice-president, General Motors Corporation.

Directed Effort

We must not assume that the world will better itself without directed effort, even as material wealth increases. Remember the remark of the old gardener when a neighbor leaned over the wall and said: "This is a wonderful garden that you and God have made." And the old gardener's reply: "Yes, so it is; but you should have seen it when only God was takin' care of it."

We have the talents, we have the resources, and we have a generous and social-minded people behind us. By coordinating our efforts, by cooperating always, we should accomplish even greater things in the future.—NORMAN H. DAVIS, Chairman, American Red Cross.

Ad Valorem

THE advalorem base for taxing money, or bank capital, never was right and its passing should be accelerated. The banks in those states which still "enjoy" it should organize an energetic campaign for modernization.—J. N. QUINN, Cashier, First National Bank of Hugo, Colorado.

Insurance Company "Governments"

SINCE 1929, there has been a substantial reduction in private long-term indebtedness due both to liquidations and to a marked curtailment in credit demand. On the other hand, there has been a heavy volume of United States Government financing to provide for greatly expanded governmental activities fostered by reason of depression circumstances. A considerable flow of life insurance funds into the bonds of the United States Government has therefore been unavoidable. In the five years ending with 1937, the increase in these holdings amounted to approximately $\frac{1}{5}$ of the total increase in assets during that time.

It is pleasing to note that in 1938 the outstanding holdings of United States bonds show the smallest increase since 1932 and actually show a small decrease in relation to total assets. The total now amounts to 4 billion 551 million. This represents a decline in percentage of total assets to 17.9 per cent from the peak of 18.1 per cent last year.

This is doubly gratifying. First, it means that a larger portion of new funds is being invested on a more favorable interest basis, and second, it reflects improvement in the mortgage and corporate bond markets sufficient to permit larger commitments in those categories than in 1937, larger indeed than in any year since 1928.—T. A. PHILLIPS, President, Minnesota Mutual Life Insurance Company.

Remove the Causes

If we shout for a balanced budget and eventually get it, we must not begin shouting for the Government "to do something about it" the moment that our sales curve starts downward. If we are to shout for anything, let it be for the abolition and removal of causes of lack of confidence in the future of private enterprise.

To balance the Federal Government's budget is not enough. Corporate managements are not going to seek new capital in a volume comparable to the 1920's, and investors are not going to supply it, so long as corporate enterprise is as unprofitable as it is today; and managements are harassed by unfair labor legislation, meddling interference of bureaucratic commissions, and restrictions upon the sale of new securities; and uncertainty of the extent to which they will be taxed continues from year to year.—GEORGE V. McLAUGHLIN, President, Brooklyn Trust Company, Brooklyn, N. Y.

Survival

IT is just as permissible to assume that another world awaits habitation of an exalted type of humanity after this earth has come to an end, as it is to believe in the eternal existence of individuality.

Though science is unable to provide any positive evidence for survival of personality after death, it must acknowledge that belief in such survival is a powerful factor in human development.—SIR RICHARD GREGORY, British scientist.

The True Provincial

THE native-born inhabitant of a country's metropolis is apt to be narrow and limited. He thinks he created his city's character, which in many cases he does not even share. He is the nation's true provincial in failing to recognize the contribution of the local regions of the land.—MARK JEFFERSON, Ypsilanti State Teachers College, Michigan.

Education

IN the process of Americanizing our education we have really, without knowing it, drifted away from our older American tradition. Nationalism, even if it is Americanism, is not liberalism. It very easily becomes the opposite.—Dean CHRISTIAN GAUSS, Princeton University.

Frontiers Within

MUCH might be accomplished if industry and government were to adopt a joint program to find more socially useful research projects.

I do not believe that simply blind faith in an endless flow of new products will ever be the solution for all of our difficulties. That narrow view is scarcely worthy of intelligent consideration. We need to go beyond that. We must think also about that large portion of our population which has not yet caught up with the standard of living we proudly call American.

The frontiers of industry lie within as well as without. To bring ordinary necessities and comforts to that part of our nation which cannot now afford them is a challenge to American industrial genius.—RICHARD C. PATTERSON, JR., Assistant Secretary of Commerce.

England's Wealth

WE may take it that when German statesmen—I will not say the German people—reflect upon the possible consequences of a conflict, if ever a conflict should arise between our two countries, they think not only of our armaments but of our great financial resources, which in a war of long duration might well prove to be the deciding factor.

It is this sense which is always with us and which I am sure is itself a very great factor in preserving the peace of the world.—NEVILLE CHAMBERLAIN, British Prime Minister.

United

THERE is one policy which the people of the United States have pursued for over a century, regardless of election results. That policy is that the United States will not tolerate any foreign government gaining a foothold on this continent. We Americans have had our family disputes and may continue to have them, but let me say that anyone would be making a great blunder to mistake differences for disunity. For in the end we will always unite against any outside aggressor.—ALFRED M. LANDON, Second United States Delegate to the Lima Conference.

Neighborhoods

NEIGHBORHOODS decay and pass into obsolescence not always because of some deep-rooted factor, but because of our own lethargy. That does not mean that the cure is easy to find. It is obvious that a neighborhood cannot decay if everyone concerned is doing his part even in his own interest. Neighborhood blight commences with one house, one property; it halts the moment a line is drawn and all those concerned determine that the blight halts at that line. There is no argument about this—a neighborhood can seldom fall into decay if there is an alert citizenry to protect it. I do not mean to argue that all residential areas can be made safe forever, or that we can entirely eliminate slum tendencies. But I do contend that many neighborhood trends can be controlled.—DONALD H. MCNEAL, Deputy General Manager, HOLC.

Confidence

MORE confidence in the character of loan, more confidence in the initiative and integrity of the individual, will help expand the use of credit and the consequent expansion of employment.—MORRIS S. TREMAINE, Comptroller of the State of New York.

The Cleveland Trust Company

Banking Offices located throughout Greater Cleveland and nearby

CONDENSED STATEMENT OF CONDITION, DECEMBER 31, 1938

ASSETS

Cash on Hand and in Banks	\$ 121,104,463.42
United States Government obligations, direct and guaranteed	105,887,757.43
State, Municipal and Other Bonds and Investments, including Stock in Federal Reserve Bank, less Reserves	12,968,757.30
Loans, Discounts and Advances, less Reserves	123,431,852.82
Banking Premises (including investments and other assets indirectly representing bank premises)	6,443,569.63
Other Real Estate (including investments and other assets indirectly representing other real estate) Less Reserves	10,486,155.57
Other Resources	2,130,472.15
Customers' Liability on Acceptances Executed by this Bank	269,478.58
Total	\$ 382,722,506.92

LIABILITIES

Capital Notes Subordinated to Deposits and Other Liabilities)	\$ 13,936,500.00
Capital Stock	13,800,000.00
Surplus and Undivided Profits	4,465,646.11
Reserve for Contingencies	98,769.14
Retirement Fund for Capital Notes and Accrued Interest to February 1, 1939	322,265.69
Total	32,623,180.94

DEPOSITS

Demand	\$ 145,994,475.83
Time	170,534,069.09
Estates Trust Department (Preferred)	14,636,776.38
Corporate Trust Department (Preferred)	16,196,369.28
Other Liabilities	2,468,156.82
Acceptances Executed for Customers	269,478.58
Total	\$ 382,722,506.92

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GOOD THE WORLD OVER



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The Outlook for Interest Rates

MURRAY SHIELDS, Economist, Irving Trust Company, New York, before the MICHIGAN BANKERS ASSOCIATION STUDY CONFERENCE.

IN appraising the future of short term interest rates, the outlook for excess reserves is of considerable importance. In this connection, there are three facts which deserve emphasis.

First is the fact that excess reserves are so high that the Federal Reserve authorities would have considerable difficulty in eliminating them even if they wanted to. The Federal Reserve Board could reduce excess reserves by liquidating about two and a half billion dollars of United States Government securities held by the System, but that would leave the Reserve banks bare of earning assets and would put considerable pressure on the market for Treasury obligations. It may be of significance that over 10 years have elapsed since the Federal Reserve banks have liquidated any substantial volume of securities—and in that period they have purchased over two billion dollars of Government obligations. The Federal Reserve Board could restore reserve requirements to the full limit permissible under the law but that would reduce excess reserves by only about 750 million dollars. The Board could, of course, ask Congress for authority to increase required reserves above the present legal limits, but there is the risk that member banks would wish to leave the System if the amounts of funds which they are required to hold inactive are increased above levels which even now seem high to many bankers. The Treasury could sterilize some of the gold which it has allowed to increase excess reserves but that would involve the flotation of additional securities at a time when it is finding it necessary to go to the market for new funds in substantial amounts for other purposes. There are other methods which might be used to reduce excess reserves, but each involves important disadvantages and none would make any significant reduction.

Second is the fact that while the authorities would find it difficult to eliminate excess reserves, they have almost unlimited ability to increase them. Excess reserves could be raised by close to two billion dollars by use of the gold in the Stabilization Fund. Another billion dollars could be put into excess reserves by using the silver seigniorage accumulated in the Treasury. More than two billion dollars could be added to excess reserves by reducing reserve requirements to the level prevailing before 1936. Several billion dollars of excess reserves could also be created through the purchase by the Federal Reserve banks of additional amounts of Government securities. It is abundantly clear that the authorities have the power to flood the banking system with several additional billions of dollars of reserves, if they wish to do so.

The third significant fact is that through the means cited above the authorities have the ability to prevent excess reserves from declining even if gold exports assume substantial proportions, if there is a great wave of currency hoarding in this country, or if any other factor causes the banks to lose reserves. It is, as a matter of fact, difficult to visualize a situation where the monetary authorities would be unable to maintain a substantial volume of excess reserves.

No discussion of this situation could be complete without pointing out that the monetary authorities have shown no disposition to take the drastic action that would be required if excess reserves were to be eliminated.

Investment Policy

SHORT-TERM interest rates are likely to remain at very low levels for a considerable period in the future. The outlook for long-term interest rates is uncertain.

If these conclusions are justified, would it not then be a prudent policy, first to hold larger amounts of short-term securities than in more normal times, but not such a large portion of short-term investments as to penalize income unduly if interest rates fail to rise; second, to stagger maturities so that a part of the funds will be coming up for reinvestment periodically; third, insofar as practical, to avoid purchasing extremely long securities in favor of those of medium term, and finally, as favorable opportunities are afforded, to strengthen investment portfolios from the point of view of quality and salability of securities held.—MR. SHIELDS.

Thus it seems unlikely that excess reserves will decline in the near future by an amount which will force the banks to borrow significant amounts of reserves from their Federal Reserve banks. Since in the period we have reviewed, short term interest rates have increased materially only when banks have been forced to increase their borrowings, it seems improbable that any substantial increase in short term interest rates will occur for some time.

In appraising the outlook, it would be a mistake not to give considerable weight to several powerful factors making for a continued low level of long term rates. In the first place if—as seems likely—short term rates remain at a low level there will be considerable resistance to a substantial rise in long rates. In the past long term interest rates have advanced sharply and substantially only when short term rates were higher than long term rates, when short term rates were rising, or when the bank reserve position was under severe pressure. These conditions are not present today and there seems little likelihood that they will be for some time.

In the second place, the Treasury and the Federal Reserve authorities may be tempted to use their new monetary powers to prevent a rise in rates large enough to embarrass banks which have invested in long term securities amounts which are large relative to their capital funds and therefore relative to their ability to absorb losses. It sometimes is said that the authorities cannot afford to let rates rise materially and would be justified in forcing still larger amounts of excess reserves into the banking system in order to prevent such a development. And as long as large amounts of excess reserves remain in the System, banks will not be under the necessity for selling their present holdings. Finally, there is a body of opinion that our economy is a mature one which no longer needs to finance further material expansion in productive capacity. If that is true, then long term interest rates might remain at a low level, a condition which is often characteristic of countries which have reached economic maturity.

But there are other considerations which will impress the conservative investor. In the first place, long term interest rates have, in recent years, been relatively more sensitive to changes in reserves than formerly. For example, in 1937

when excess reserves were reduced, there was a sharp rise in long term rates. Banks which had substantial investments in long securities apparently decided to obtain such reserves as they anticipated needing by liquidating some of their long term investments. This suggests that if the authorities decide again to apply the credit brakes by reducing but not eliminating excess reserves, the effect might be to bring at least a temporary rise in long rates.

In the second place, banks in general may not be far from the point where they will have bought all of the long securities they feel warranted in holding with present capital funds. If this is the case they may, in the future, be less aggressive buyers either of new Treasury long term securities or of new corporate obligations and if the demand for long term capital increases the rate might well be adversely affected.

And finally, the economic setting is not such as to warrant confidence that the present level of interest rates on long term securities will be maintained for a period of years. The budget of the Federal Government is a long way from balance and while the tax basis has been raised, the Government has assumed financial responsibilities which may make it difficult to reach a position where income equals outgo.

Mortgage Safety

D. HOWARD DOANE, President, American Society of Farm Managers and Rural Appraisers, before the AMERICAN BANKERS ASSOCIATION CLEARINGHOUSE ROUND TABLE CONFERENCE.

If new real estate loans are made they are viewed as potential "real estate owned" and their earning capacity carefully determined (this refers to appraising) then, if and when the worst happens to a mortgage, it will in reality become a prime security.

Of course, the return of the principal investment may be delayed and, this factor must be considered in determining the percentage of this type of investment any one institution may wish to carry. However, regularity of income from mortgage or real estate is a prime factor.

With the use of modern appraisals, a sound loaning program, and the availability of proven management, it is our opinion that the bankers' attitude toward the mortgage loan can be safely adjusted in keeping with the host of data now supporting the soundness and safety of mortgages and real estate.



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THE ROYAL BANK OF CANADA

HEAD OFFICE, MONTREAL

ASSETS OVER \$900,000,000

New York Agency, 68 William Street

The Omaha National Bank

OMAHA, NEBRASKA

Statement of Condition as of December 31, 1938

RESOURCES

Loans and Discounts	\$13,103,636.69
Overdrafts	2,336.31
U. S. Government Obligations	8,197,916.21
State and Municipal Bonds	5,074,453.54
Other Bonds and Investments	3,699,335.23
Banking House	849,000.00
Furniture and Fixtures	1.00
Customers Liability Under Letters of Credit	13,216.88
Interest Earned But Not Collected	135,096.11
Other Assets	28,829.00
Cash on Hand and Due from Federal Reserve Bank and Other Correspondent Banks	17,179,280.66
TOTAL.....	\$48,283,101.63

LIABILITIES

Common Stock	\$ 1,500,000.00
Preferred Stock	500,000.00
Surplus	1,500,000.00
Undivided Profits	165,303.89
Reserve for Contingencies	143,480.99
Reserve for Taxes, Interest, etc.	133,586.47
Customers Letters of Credit	13,216.88
Interest Collected but not Earned	40,404.89
Deposits	44,287,108.51
TOTAL.....	\$48,283,101.63

Member Federal Deposit Insurance Corporation

Managing the Investment Account

EDWIN HYDE, Assistant Vice-president, Morris Plan Bank of Virginia, before Group VI, VIRGINIA BANKERS ASSOCIATION.

I FEEL sorry for you who have, with your many other duties, the responsibility of managing an investment account. Your other duties quite rightfully consume the major portion of your time and effort, and yet I am sure you realize that you cannot forget, or put aside, your investment account for even one moment. I am not one who will suggest that you attempt to become an investment specialist—you haven't the need to, nor have you the time. There are in your immediate vicinities, or at least not too far removed, men who have devoted much time and effort to the study of investment management, and with these thoughts in mind I have the following simple ideas to suggest:

First, I would pick out a good bank which is recognized as having a thoroughly capable investment department, and go and see the officer in charge of that investment department. I would start from scratch with him. I would answer, to the best of my ability, all the questions he put to me about the nature of my deposits, my seasonal loan demands, and other pertinent questions relating to the formulation of an investment policy. With his help I would form a definite policy, and then stick to that policy.

Having accomplished that first step, I would give that investment officer an accurate list of my bonds, showing cost and book prices. I would ask him to give me an up-to-date story on every bond I owned, with his recommendation as to whether he thinks the bond should be bought or sold.

If excess funds are available for investment, I would first find out if he would recommend the investment of all or any part of it now. If he agrees to the investment of cash now, I would ask him for specific recommendations and for his reasons in each case.

In order to assist me in appraising the value of other bonds that I will have offered to me from time to time, I would ask that investment officer to prepare for me a "yardstick"—a simple set of questions that I should be able to answer intelligently before seriously considering the purchase of any bond. These questions should not be too involved, but can be complete enough to avoid a great deal of trouble.

I would then prepare a simple list of my bonds, to be kept to date whenever changes are made, and get a quotation on every bond I had every day. Whether I had three bonds or three dozen issues, I would do this as a daily reminder that I had some bonds. I would then be able to record the daily price movements in the bonds.

Then I would bother my banker friend again. I would set

up a very simple tickler file, and about every 90 days (spaced at intervals so as not to be too burdensome) have a card come up reminding me to write or see my investment officer friend about one or several given bonds. I would ask him for his advice then and for his reasons.

I would make up a brief report at the end of each month showing a complete description of my bonds, with book values and market prices, then profit and losses, and send a copy of this to my banker friend.

Having accomplished all this, I would get my directors, at one of their meetings, to inspect everything I had done and have them approve my action.

Now you are going to say, "What right have I to ask any bank to do this for me?" I'll tell you why you have. In the first place, you can't be expected to spend the time and effort necessary to become an investment expert, and for that reason alone you are justified in asking the advice of banks which have officers who are specialists in the investment field. These men will make mistakes, naturally; but will they make any more than, or as many as, you? In the second place, you have the right to ask for this service because many larger banks offer this service to you, at no cost other than adequate compensating balances. With these banks offering this service you should certainly take advantage of it. You must be fair to the bank offering you this service, however, and remember that it cannot afford to take the initiative in keeping you advised as to either your broad investment policies, or when to buy, or when to sell any given bond. You must assume the initiative, but you can lighten your burden in many ways by a simple plan similar to that I have already suggested.

To augment this service you will find some of the better statistical organizations offering helpful services at reasonable fees. Whatever method you decide to use, remember that you can't be expected to be a security specialist and you need not be embarrassed in demanding this type of service where you have made arrangements to secure it, on a basis that is mutually agreeable to all parties concerned.

Do not expect the impossible of any investment officer to whom you turn for advice. Remember that he too is human and can make mistakes; but, on the other hand, realize that he devotes his entire time to the study of investment principles and practices, and that, in most instances, his mistakes will be fewer than if you attempted to operate without this type of advice. Remember also that this service is only to augment your own efforts. You must be reasonable in your requests and be prepared to compensate the bank or statistical organization in supplying this service in some appropriate manner.

Listening in a Crisis

AS we frankly and candidly face up to conditions, it becomes evident that while we are singularly clever in forwarding prosperity under favoring conditions, we are not as clever in arresting adversity when head winds and stormy weather are prevalent.

A friend of mine, a man of discriminating judgment, suggested to me a theme that has pertinence. "Listening in a crisis," was his suggestion. His contention was that, as a people, we are given to too much talk and discussion; that what we need today is the cultivation of the habit of listening and reflection; listening to the many voices of our age, and listening with discriminating judgment and the capacity to evaluate what we hear.

I solemnly believe that we are where we are and where we shall continue to be, from a lack of serious thinking and wise planning.—Rt. REV. JAMES E. FREEMAN, Protestant Episcopal Bishop of Washington, D. C.



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You buy sugar by the pound ... coal by the ton ... electricity by the kilowatt ... and if you are wise, you buy advertising space by an equally accurate measure

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Always make A.B.C. reports your starting point in buying advertising space. If you do not have the latest A.B.C. report on any publication in which you may be interested, ask for it. Demand it. Study it. Then, judge soundly how the circulation fits in with your sales program.

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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

A.B.C.=Audit Bureau of Circulations=FACTS as a yardstick of advertising value

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Statement of Condition, December 31, 1938

RESOURCES

CASH AND DUE FROM BANKS	\$ 861,438,771.42
BULLION ABROAD AND IN TRANSIT	21,178,561.87
U. S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED	639,878,092.29
STATE AND MUNICIPAL SECURITIES	121,822,947.55
OTHER BONDS AND SECURITIES	156,129,392.65
LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES.	638,733,623.47
BANKING HOUSES	34,485,281.62
OTHER REAL ESTATE	6,796,875.46
MORTGAGES	11,297,920.83
CUSTOMERS' ACCEPTANCE LIABILITY	23,542,485.66
OTHER ASSETS	7,863,223.92
	<u>\$2,523,167,176.74</u>

LIABILITIES

CAPITAL FUNDS:

CAPITAL STOCK	\$100,270,000.00
SURPLUS	100,270,000.00
UNDIVIDED PROFITS	<u>35,246,709.16</u>
	<u>\$ 235,786,709.16</u>

RESERVE FOR CONTINGENCIES	16,237,009.96
RESERVE FOR TAXES, INTEREST, ETC.	1,929,624.05
DEPOSITS	2,234,332,981.74
ACCEPTANCES OUTSTANDING	25,062,029.35
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS	5,630,250.33
OTHER LIABILITIES	4,188,572.15
	<u>\$2,523,167,176.74</u>

United States Government and other securities carried at \$95,735,736.08 are pledged to secure
public and trust deposits and for other purposes as required or permitted by law.

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